

RURAL FINANCE PROFILE OF TOGO

by

Carlos E. Cuevas
Assistant Professor
Department of Agricultural Economics
and Rural Sociology
The Ohio State University

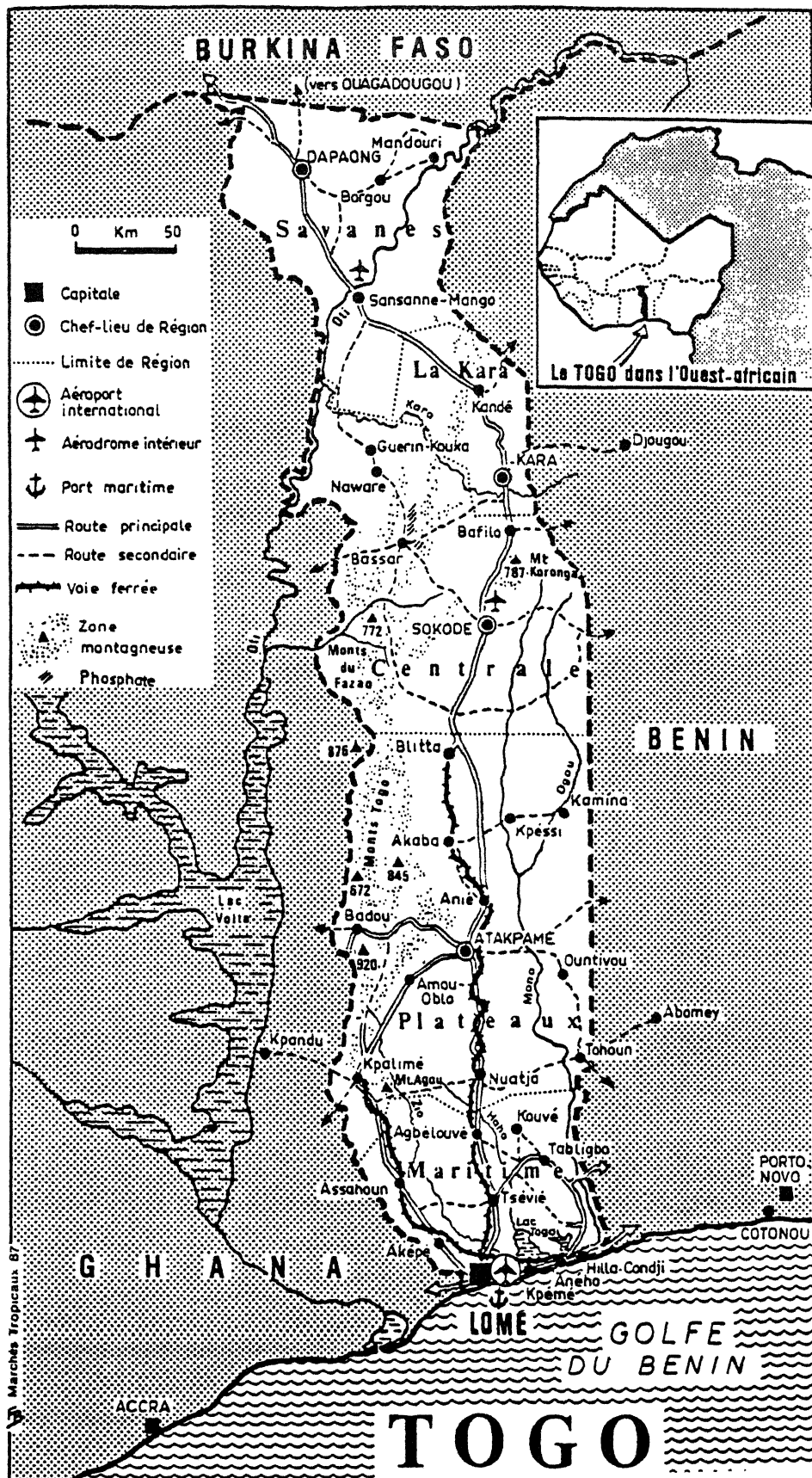
November 1987

Study commissioned by the FINAFRICA Foundation on behalf of the
FAO-FINAFRICA Working Group. The study will be published as a
chapter in Masini, Mario, ed., Rural Finance Profiles in African
Countries, Vol. II, 1988.

Rural Finance Profile of Togo

TABLE OF CONTENTS

Chapter	Page
1. MAIN FEATURES OF THE ECONOMY	1
2. MONETARY POLICY AND FINANCIAL DEVELOPMENT	8
2.1. Monetary Policy	10
2.2. Financial Development	13
2.3. Financial Policy	16
3. PERFORMANCE OF FINANCIAL INSTITUTIONS	28
4. RURAL CREDIT OUTSIDE FINANCIAL INSTITUTIONS	42
4.1. Non-financial Institutions and Special Programs in Agriculture	43
4.2. Informal Finance in Rural Areas	46
5. INFRASTRUCTURE FOR RURAL DEVELOPMENT AND PRICING POLICIES	56
5.1. Marketing and Prices of Food Crops	57
5.2. Marketing and Prices of Cash Crops	60
6. KEY FINANCIAL INSTITUTIONS AND AN OVERVIEW OF RURAL FINANCE	65
6.1. The "Caisse Nationale de Crédit Agricole", CNCA	66
6.2. The "Caisse d'Epargne du Togo", CET	78
6.3. The Credit Union Movement	83
6.4. An Overview of Rural Finance	93
REFERENCES	96
APPENDIX	98



Rural Finance Profile of Togo

Carlos E. Cuevas
November 1987

1. MAIN FEATURES OF THE ECONOMY

Togo is the smallest of the West-African franco-phone countries, with an area of about 56,000 square kilometers. It extends about 660 kilometers north to south between the border with Burkina Faso and the Gulf of Guinea. The extension in the East-West direction averages about 100 kilometers, between the borders with Ghana and Benin. The climate is predominantly tropical, even though the extreme north shows some characteristics of the Sahelian semi-arid climate. Average rainfall is about 1,500 millimeters per year (approximately 60 inches), distributed in two rainy seasons in the south, and only one in the north.

Population was estimated at about 2.9 million people in 1985, growing at a rate of 3.3 percent per year^{1/}. Average population density is about 50 inhabitants per square kilometer, highly concentrated in the south (région maritime), where it reaches 170 inhabitants per square kilometer. There are about 40 different ethnic groups in the territory (Aggrey), among which

1/ Estimates of The Economist Intelligence Unit (EIU), and the "Institut National de la Recherche Scientifique" (Bergougniou). The World Bank estimates a population of 3.06 million for 1985. At the current growth rate the population duplicates every 21 years.

the Ewé and the Kabyé predominate, with 45 percent and 35 percent of the population respectively. Even though the official language is the French, vernacular languages dominate in rural areas. More than half of the population follows animist beliefs, while Christians represent about 30 percent of the population, and Muslims approximately 10 percent (EIU).

The country gained independence from France in 1960, and since 1967 has been ruled by President Gnassingbé Eyadéma, with the support of the "Rassemblement du Peuple Togolais" (RPT), sole legal political movement, and the army. Domestic policies combine nationalism, state corporatism, and free enterprise, while following a non-aligned international policy. The country has relied increasingly on foreign aid from western countries in the 1980s, while strengthening relationships with France under the Chirac government, i.e., since March 1986 (EIU).

The Economy

Agriculture, phosphate mining and commerce are the three principal activities in the Togo economy. Together they account for almost two-thirds of gross domestic product (GDP), and employ 85 percent of the labor force. Phosphate exports account for more than 40 percent of the country's foreign exchange earnings, while export crops (cocoa, coffee and cotton) generate 25 percent of export revenues. On the other hand commerce, primarily re-export and transit trade, has become an important source of income for the country (World Bank).

The Togo economy has experienced periods of contraction and stagnation over the last decade, showing signs of partial recovery only in recent years. As shown in Tables 1 and 2, real GDP has decreased between 1978 and 1985, most dramatically in the years 1981 through 1983. Average real GDP decline in the period 1978-1985 was almost one percent per year, what resulted in an average drop in real GDP per capita of more than 4 percent per year (see Table 2). Per capita GDP in 1985 was US\$ 248.

The economic decline of the early 1980s has its roots in expansionary fiscal and monetary policy, and heavy external borrowing, undertaken during the second half of the 1970s. These policies were aimed at supporting and ambitious public investment program triggered by a substantial price increase in the phosphate world market, which proved to be short-lived. The financing of the investment program through external borrowing, and the poor performance of most of the public enterprises created under the program led to the financial crisis and economic decline observed between 1978 and 1983 (World Bank). A drought, and recession in Nigeria, the most important regional market for official and informal trade, contributed to this economic contraction of the early 1980s.

The years 1984 and 1985 have been years of gradual recovery. For the first time since 1978 real GDP per capita increased in 1985 (although a modest 0.2 percent). The primary sector (agriculture, livestock, forestry and fishing) was a leading sector in this recovery, followed by commerce, and construction

Table 1

Togo: Gross Domestic Product by Sector of Origin in Constant Prices, 1978-1985

Sector	Year							
	1978	1979	1980	1981	1982	1983	1984	1985
billions of 1978 CFA francs								
Primary	54.4	48.8	50.2	49.9	45.3	45.8	51.5	52.7
Agriculture	46.9	41.4	42.8	42.2	37.2	36.9	42.4	43.2
Livestock, Forestry and Fishing	7.5	7.4	7.4	7.7	8.1	8.9	9.1	9.5
Secondary	45.2	49.6	49.0	41.4	42.6	39.8	36.4	38.1
Mining	12.0	18.2	18.8	14.4	15.8	15.4	15.2	14.3
Manufacture	12.5	13.3	13.6	14.2	14.8	13.7	11.2	11.8
Construction and Energy	20.7	18.1	16.6	12.8	12.0	10.7	10.0	12.0
Tertiary	100.2	100.7	103.4	104.2	100.4	92.6	92.4	95.9
Transport, Commerce and Services	79.4	78.5	82.0	82.1	79.9	71.9	72.4	75.6
Government	20.8	22.2	21.4	22.1	20.5	20.7	20.0	20.3
GDP at Market Prices	199.8	199.1	202.6	195.5	188.3	178.2	180.3	186.7
Implicit GDP deflator 1978=100	100.0	106.8	117.7	132.0	143.2	157.9	162.5	169.0

Source: World Bank, "Country Economic Memorandum", June 1987, and the author's calculations.

Table 2

Togo: Growth Rates of Real GDP by Sector of Origin, 1978-1985

Sector	Year							Period Averages		
	1979	1980	1981	1982	1983	1984	1985	1978-85	1978-82	1982-85
	Growth rates in percent over previous year							---- (% per year) -----		
Primary	-10.3	2.9	-0.6	-9.2	1.1	12.4	2.3	-0.2	-4.3	5.3
Agriculture	-11.7	3.4	-1.4	-11.8	-0.8	14.9	1.9	-0.8	-5.4	5.3
Livestock, Forestry and Fishing	-1.3	0.0	4.1	5.2	9.9	2.2	4.4	3.5	2.0	5.5
Secondary	9.7	-1.2	-15.5	2.9	-6.6	-8.5	4.7	-2.1	-1.0	-3.5
Mining	51.7	3.3	-23.4	9.7	-2.5	-1.3	-5.9	4.5	10.3	-3.3
Manufacture	6.4	2.3	4.4	4.2	-7.4	-18.2	5.4	-0.4	4.3	-6.8
Construction and Energy	-12.6	-8.3	-22.9	-6.2	-10.8	-6.5	20.0	-6.8	-12.5	0.9
Tertiary	0.5	2.7	0.8	-3.6	-7.8	-0.2	3.8	-0.6	0.1	-1.4
Transport, Commerce and Services	-1.1	4.5	0.1	-2.7	-10.0	0.7	4.4	-0.6	0.2	-1.6
Government	6.7	-3.6	3.3	-7.2	1.0	-3.4	1.5	-0.2	-0.2	-0.3
GDP at Market Prices	-0.4	1.8	-3.5	-3.7	-5.4	1.2	3.5	-0.9	-1.4	-0.2
Real GDP per capita ^a	-3.7	-1.5	-6.8	-7.0	-8.7	-2.1	0.2	-4.2	-4.7	-3.5

Source: Table 1.

^a Uses average population growth of 3.3 percent per year (World Bank).

and energy (see Tables 1 and 2). An stabilization program implemented after 1983, supported by the IMF and the World Bank through stand-by credit and structural adjustment loans, has induced this partial recovery. The program has reduced the current account deficit in the balance of payments and the fiscal deficit, as seen in Table 3. The government has also undertaken a program of privatization and rationalization of public enterprises, which has allegedly contributed to the gradual economic recovery observed in recent years.

The Rural Sector

The contribution of the primary (rural) sector to total gross domestic product increased from about 27 percent in the late 1980s to over 30 percent in the last three years of available data (see Appendix Table 2)^{2/}. Given that 77 percent of the population depends on the primary sector, the average GDP per capita in this sector can be estimated for 1985 at about US\$ 100 per capita per year. This figure contrasts with an annual GDP per capita of about US\$ 750 in the non-primary sectors, indicating an average per capita productivity 7.5 times higher in these sectors than in the primary sector.

Agriculture, i.e., crop production, accounts for most of the contribution of the primary sector to total GDP. Livestock, forestry and fisheries represent only about 16 percent of the

^{2/} The terms "rural" and "primary" are used interchangeably here, even though in Togo as in all countries several non-primary activities are carried out in rural areas.

Table 3

Togo: Selected Economic Indicators, 1978-1985

Indicator	Year								Period Averages 1978-85
	1978	1979	1980	1981	1982	1983	1984	1985	
Trade and Payments									
Current account deficit (% of GDP)	30.3	29.6	15.9	16.7	20.1	15.9	10.3	12.0	18.9
Terms of Trade (1980=100)	63.2	70.3	100.0	91.7	94.8	103.5	112.2	103.6	
Exchange rate (FCFA per US\$)	225.6	212.8	211.3	271.7	328.6	381.1	437.0	449.3	
Gross Domestic Savings (% of GDP)	20.4	23.2	21.6	15.0	12.2	13.9	16.0	15.6	17.2
Gross Fixed Investment (% of GDP)	47.8	47.7	34.5	26.2	23.6	20.0	22.5	23.5	30.7
Public Finance									
Government revenue (% of GDP)	26.5	27.4	33.3	26.0	29.9	27.5	30.2	31.5	29.0
expenditure (% of GDP)	30.9	44.2	40.8	33.2	38.3	35.3	37.5	38.1	37.3
Fiscal deficit (% of GDP)	4.4	16.8	7.6	7.2	8.4	7.7	7.3	6.6	8.3

Sources: Based on figures reported in World Bank, "Country Economic Memorandum", June 1987.

primary sector GDP (Appendix Table 2). Among the agricultural activities, food crops contribute almost 90 percent of the value of agricultural production. Most important food crops are yams, manioc (cassava), maize, and millet and sorghum, in that order.

Cash crops, primarily cocoa, coffee, cotton, and peanuts, contribute only 11 percent of agricultural GDP, but generate more than one-fourth of the country's total export earnings. Hence the attention that recent development plans have given to coffee, cocoa and cotton, as well as to the production of irrigated crops such as sugar cane, rice, fruits and vegetables. Promotion of cotton has been particularly successful in terms of physical production, which doubled in four years, although recent falls in world prices have compromised the economic returns of this crop (EIU).

2. MONETARY POLICY AND FINANCIAL DEVELOPMENT

As a member of the West-African Monetary Union ("Union Monétaire Ouest-Africaine, UMOA), Togo's foreign exchange and monetary policies are subordinated to those of the Union, exercised through the "Banque Centrale des Etats de l'Afrique de l'Ouest" (BCEAO). The common currency in the UMOA area is the CFA franc^{3/}, pegged to the French franc at a fixed exchange rate

3/ Franc of the "Coopération Financière en Afrique" (CFA). The UMOA currency area includes Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal, and Togo.

of 50 CFA francs per French franc. Free convertibility exists between the two currencies, supported by the French Treasury through overdraft facilities in the operations account held at the Treasury by the BCEAO. As a consequence, exchange-rate fluctuations of the CFA franc against all other major currencies follow exactly the behavior of the French franc. It is interesting to note that the French franc, in turn, is bound by the exchange agreements of the European Community. Therefore, linkages between domestic economic phenomena in UMOA member countries and the value of their currency against non-European currencies can be considered rather remote.

A similar lack of autonomy exists in controlling money supply and domestic credit in each UMOA member country. The BCEAO sets rediscount targets for each country, determines rediscount rates and intermediation margins (hence, lending rates), and most deposit rates^{4/}. In each country, the "National Credit Committee" determines the country's credit allocation policies, within the rediscounting limits established by the BCEAO. As discussed below, selective credit policies determined by the National Credit Committee in Togo are in practice primarily indicative, and existing enforcement mechanisms are not implemented.

^{4/} Regulations on lending and deposit rates are reviewed in detail later in this chapter.

2.1. Monetary Policy

The evolution of the major monetary aggregates between 1978 and 1986 is portrayed in Table 4. Most indicators show a rather unstable path during this period that can be associated with the overall economic stagnation discussed above, and with the stabilization efforts of recent years. A brief analysis of these major monetary aggregates follows.

The money supply expanded significantly between 1978 and 1982, and reduced its pace of growth from 1983 onwards. The average annual rate of monetary expansion in the 1978-82 sub-period was almost 17 percent, even though most of the expansion occurred in 1981 (see Table 4). In contrast, total money grew at an average annual rate of about 8 percent between 1983 and 1986, i.e, less than half the average rate of the preceding years.

The figures reported in Table 4 indicate that the fluctuations in the money supply were accounted for primarily by the unstable growth of currency in circulation and demand deposits. On the other hand, quasi-money (savings and time deposits) shows a relatively steady growth rate between 1980 and 1986 fluctuating between 20 percent and 33 percent per year during this period. As will be shown later in this chapter, this behavior of the interest-bearing liabilities of the banking system is responsible for the gradual financial deepening observed in the Togo economy in the 1980s.

The monetary expansion between 1978 and 1982 is clearly associated with the increase in domestic credit to the government

Table 4
Togo: Monetary Survey, 1978-1986

	Year								
	1978	1979	1980	1981	1982	1983	1984	1985	1986
A. Monetary Aggregates in billions of CFA francs, end of December of each year^a									
Money Supply	65.0	66.5	72.6	100.6	117.2	117.8	136.1	143.2	158.8
Currency outside banks plus demand deposits	48.1	52.7	55.3	80.0	90.1	83.1	90.7	82.7	84.4
Quasi-money	16.9	13.9	17.2	20.6	27.1	34.7	45.4	60.5	74.4
Net Foreign Assets	9.9	9.5	4.6	32.1	47.3	52.0	68.0	70.2	72.2
Long-Term Foreign Borrowing	1.7	1.9	2.2	2.0	2.3	1.9	1.9	1.8	2.3
Domestic Credit	57.8	62.3	69.7	77.1	80.8	75.3	65.8	62.0	87.2
Net claims on government	6.2	4.0	4.5	14.3	12.8	10.0	0.8	-4.9	3.4
Claims on private sector ^b	51.6	58.4	65.2	62.7	68.0	65.3	65.1	66.9	83.8
Other items (net)	1.1	3.4	-0.5	6.6	8.7	7.6	-4.2	-3.8	-2.0
B. Annual percentage change									
Money Supply	-	2.4	9.1	38.6	16.5	0.5	15.6	5.2	10.9
Currency outside banks plus demand deposits	-	9.5	5.1	44.5	12.6	-7.8	9.2	-8.8	2.0
Quasi-money	-	-17.6	24.1	19.6	31.6	28.0	30.8	33.2	23.0
Net Foreign Assets	-	-4.4	-51.4	596.3	47.4	9.8	30.9	3.2	2.9
Long-Term Foreign Borrowing	-	14.4	16.8	-10.8	13.6	-17.7	2.7	-6.8	28.7
Domestic Credit	-	7.9	11.9	10.5	4.8	-6.8	-12.6	-5.8	40.6
Net claims on government	-	-35.9	14.4	216.3	-11.0	-21.8	-92.5	-757.3	-168.4
Claims on private sector	-	13.2	11.7	-3.8	8.4	-4.0	-0.4	2.9	25.2
Other items (net)	-	218.9	-113.6	-1539.1	30.8	-11.8	-155.0	-9.0	-47.9

Source: IMF, International Financial Statistics, 1986 yearbook, and May 1987.

a As of end of October for 1986.

b Includes other financial institutions.

observed during the same period. As shown in Table 4, net claims on government more than doubled between 1978 and 1982, reaching a maximum in 1981, the year of the largest expansion in money creation. Government borrowing, primarily to service the external debt contracted during the investment program of the late 1970s and to finance public enterprises, appears to explain the monetary expansion of the period under analysis.

Domestic credit contracted drastically after 1982, in line with the stabilization program implemented starting in 1983. This contraction affected primarily the net claims on government, which decreased dramatically in this period, reaching a net creditor position in 1985. The adoption of stringent measures to reduce the fiscal deficit under the IMF agreements, and the enactment of a new tax code in 1984 have contributed to substantially reduce government borrowing. Consistent with this behavior of domestic credit, monetary growth reduced substantially its pace after 1982 with respect to that observed in the previous years (see Table 4). The two-digit growth rates observed in 1984 and 1986 can be attributed to two totally different causes. The expansion observed in 1984 can be associated with the need to compensate for the drastic "under-shooting" of money growth in the preceding year, whereas the partial recovery of the economy observed in 1985 (and expected in 1986) would explain the 11 percent money growth registered in 1986.

By the end of 1986, Togo appears to have achieved some degree of financial stabilization and initiated gradual economic recovery. The agreements with the IMF and the World Bank call for further improvements in fiscal revenue mechanisms, expansion of the private sector, and reduction and rationalization of investment programs. Emphasis on rural development and rehabilitation of infrastructure are expected to foster sustained economic growth in the medium to long term.

2.2. Financial Development

The main financial deepening indicators for the years 1978 through 1985 are summarized in Table 5. The ratio of total money over GDP appears surprisingly high for Togo's level of development. Indeed, the ratios observed in Togo from 1982 onwards are three times those registered in Niger (Cuevas, 1986), and twice as high as those reported for Mali (Masini). Financial deepening ratios measured in Kenya (Skön), Somalia (Tammi), and Zaire (Di Antonio) during the same time period were also clearly lower than the ratios presented in Table 5 for Togo.

A hypothesis to explain the differences across countries observed above that merits further research is that financial deepening is driven by the performance of the tertiary sector in the economy, most notably commerce. This sector is not only highly monetized but also involves constant transactions (i.e., a high velocity of money circulation), thus requiring intermediation services relatively more than the other sectors in

Table 5

Togo: Financial Deepening Indicators, 1978-1985

	Year							Period Averages	
	1978	1979	1980	1981	1982	1983	1984	1985	1978-85
A. Monetary Aggregates as Percent of GDP									
Total Money	32.5	31.3	30.4	39.0	43.4	41.9	46.4	45.4	38.8
Currency in circulation	10.4	10.1	11.7	19.7	20.1	16.2	12.6	12.4	14.2
Deposit Money	22.1	21.2	18.8	19.3	23.3	25.7	33.8	33.0	24.6
Net Foreign Assets	5.0	4.5	1.9	12.4	17.5	18.5	23.2	22.2	13.2
Domestic Credit	28.9	29.3	29.2	29.9	30.0	26.8	22.5	19.6	27.0
Net claims on government	3.1	1.9	1.9	5.6	4.7	3.5	0.3	-1.6	2.4
Claims on private sector	25.8	27.5	27.3	24.3	25.2	23.2	22.2	21.2	24.6
B. Inflation Rates and Change in Real Money, Percent per Year									
Inflation rates									
CPI African families (CPI)	-	7.5	12.4	19.7	11.1	9.4	-3.6	-1.8	7.8
Implicit GDP deflator (IGD)	-	6.8	10.2	12.2	8.5	10.2	2.9	4.0	7.8
Change in Real Money									
Deflated by CPI	-	-4.7	-2.9	15.8	4.9	-8.1	19.8	7.1	4.6
Deflated by IGD	-	-4.1	-1.0	23.6	7.3	-8.8	12.3	1.2	4.3

Sources: Table 4, Appendix Table 1, and INF, International Financial Statistics.

the economy. A glance at the figures reported for the countries indicated above shows that those with financial deepening ratios above 20 percent had more than 40 percent of the country's GDP accounted for by the tertiary sector (Togo, Kenya, Zaire). In contrast, the economies where the contribution of the tertiary sector to total GDP was less than 40 percent did not reach financial deepening ratios above 20 percent.

Financial deepening in Togo, as measured by the increase in the ratio of total money to GDP, occurred steadily after 1980. Total money over GDP grew from about 30 percent in 1980 to over 45 percent in 1985. Deposit money, rather than currency in circulation, accounts for the increase in the deepening ratio. As shown in Table 5, deposit money over GDP went from 19 percent in 1980 to 33 percent in 1985. Furthermore, it was quasi-money (interest-earning deposits) the component of total money that was indeed growing as percent of GDP in the period under analysis. The ratio of quasi-money to GDP (not shown in Table 5) increased from 8 percent in 1981 to 19 percent in 1985, thus contributing 11 percentage points to the 15-point increase in total money over GDP.

Finally, several positive features of the Togo economy are highlighted by the figures reported in Table 5: (a), net foreign assets as percent of GDP have increased substantially since 1981; (b), the private sector is the major recipient of domestic credit (over 90 percent on average), after the crisis of the early 1980s, and (c), the inflation rate returned to fairly low levels

in 1984 and 1985, after having reached double-digits as a consequence of the monetary expansion of the years 1980 to 1982.

2.3. Financial Policy

This section reviews two major elements of financial regulation in Togo: interest rates, and selective credit policies. As indicated earlier, interest rates are determined by the regulations of the BCEAO, while credit allocation guidelines are issued in Togo by the National Credit Committee.

Interest Rates

Three sets of interest rates are important in the regulatory environment surrounding Togolese financial institutions. First, the lending rates determined by the rediscount rates and intermediation margins established by the BCEAO; second, the interest rates authorized to pay on deposits, and third, the interest rates prevailing in the UMOA's money market.

First, rediscount rates have been systematically reduced by the BCEAO since 1984, after been kept at the same level for two years. As shown in Table 6, both the "taux d'escompte préférentiel" (TEP) and the "taux d'escompte normal" (TEN) are 4 points lower today than they were in 1982-1984. Since limits on intermediation margins have remained the same, lending rates have diminished in agreement with the reductions in the rediscount rates. Table 6 shows the ranges of lending rates determined by

Table 6
BCEAO Regulations and Lending Rates, 1982 - 1987

		Period			
		1982-1984	1985-Apr.86	Apr.-Sept.86	Sept.86-present
Rediscount Rates, %					
Preferential rate (TEP)	fixed	10	8	7	6
Normal rate (TEN)	fixed	12.5	10.5	9.5	8.5
Lending Rates, by Line of Credit					
- - - - - (Range of rates, %) - - - - -					
Short and Medium-Term Loans					
Seasonal crop financing and agr. exports	TEP + 1 - 2%	11 - 12	9 - 10	8 - 9	7 - 8
Small and medium-sized domestic firms ^a	TEP + 1 - 3%	11 - 13	9 - 11	8 - 10	7 - 9
First home construction for UNDA residents ^b	TEP + 1 - 3%	11 - 13	9 - 11	8 - 10	7 - 9
Other short and medium-term	TEN + 0 - 5%	12.5 - 17.5	10.5 - 15.5	9.5 - 14.5	8.5 - 13.5
Long-Term Loans					
Small and medium-sized domestic firms ^a ^c	TEP + 1 - 3%	11 - 13	9 - 11	8 - 10	7 - 9
First home construction for UNDA residents ^b ^c	TEP + 1 - 3%	11 - 13	9 - 11	8 - 10	7 - 9
Other long-term	TEN + 0 - 5%	12.5 - 17.5	10.5 - 15.5	9.5 - 14.5	8.5 - 13.5
Overall Range		11 - 17.5	9 - 15.5	8 - 14.5	7 - 13.5

Source: BCEAO

a With overall outstanding debt of less than 30 million FCFA.

b Loans less than 1.5 million FCFA.

c Residual maturity less than 10 years.

the BCEAO between 1982 and 1987, for the different lines of credit contemplated in the regulations.

Agriculture, small and medium-size enterprises, and low-income housing are the sectors eligible for loans at preferential rates, which result in lending rates substantially lower than those applicable to non-targeted loans (see Table 6). However, all lines of credit considered, the policy determines a rather wide range of lending rates authorized to the banks, which at present goes from 7 percent to 13.5 percent. In practice, this range gives the banks some flexibility to adjust their lending rates to the perceived riskiness of different borrowers.

In real terms, the lending rates prevailing in most of 1986 represented a range between 6.7 percent and 13.2 percent^{5/}. In previous years, real lending rates fluctuated between 5.4 percent and 17.3 percent, depending on the year and the line of credit. If the inflation of the implicit GDP deflator (IGD) is used for these calculations, the real lending rates for the period 1982-1985 vary between 3.8 and 11.5 percent.

Second, interest rates authorized by the BCEAO to pay on deposits have also decreased since 1984; indeed, they are adjusted every time rediscount rates are modified. Table 7 shows that current nominal interest rates on private deposits are 3 to 2.5 percentage points lower than in 1982-1984, depending on

^{5/} Real interest rates calculated subtracting the inflation of the CPI from the nominal rates.

Table 7

Interest-Rate Regulations on Private Deposits. End-of-year Rates, 1982 - 1986.

Type of Deposit	Size of Account in CFA Francs											
	Up to 200,000			200,001 to 500,000			500,001 to 2,000,000			more than 2,000,000		
	1982	1985	1986	1982	1985	1986	1982	1985	1986	1982	1985	1986
	-1984			-1984			-1984			-1984		
	%	%	%	%	%	%	%	%	%	%	%	%
Demand Deposits ^a	0	0	0	4.5 fixed	—	—	5.0 fixed	—	—	5.0 min.	—	—
Time Deposits												
Less than 6 months	7.25 fixed	6.25 fixed	4.25 fixed	7.75 fixed	6.75 fixed	4.75 fixed	8.25 fixed	7.25 fixed	5.25 fixed	8.25 min.	7.25 min.	5.75 min.
6 months to less than 1 year	8.25 fixed	7.25 fixed	5.25 fixed	8.75 fixed	7.75 fixed	5.75 fixed	9.50 fixed	8.50 fixed	6.50 fixed	9.50 min.	8.50 min.	7.00 min.
1 year or more	9.25 min.	8.25 min.	6.25 min.	10.00 min.	9.00 min.	7.00 min.	10.50 min.	9.50 min.	7.50 min.	10.50 min.	9.50 min.	8.00 min.
Savings Deposits	9.50	8.50	(Maximum size of account established by each member country. In Togo: 5 million CFA for individuals).									

Source: BCEAO

^a Obligation to pay interest on demand deposits was suspended for two years, starting January 1985.

balance amount and maturity^{6/}. In spite of this reduction, real interest rates on savings and time deposits have been positive throughout the period under analysis. Inflation rates (CPI index) prevailing in 1986 imply real interest rates between 3 percent and almost 7 percent for private deposits, depending on size of balance and maturity. For the years 1982 to 1985, real deposit rates fluctuated between 1.7 and 11.3 percent if the CPI inflation is used, or between 0.05 and 5.5 percent if the inflation of the IGD is considered in the calculations. Even though the effective return to depositors may be lower due to transaction costs of holding deposit accounts, this structure of real deposit rates appears favorable to domestic savings mobilization in comparison to many other developing economies.

It is important to discuss the relationships between rediscount rates and deposit rates, and their implications in terms of the gross spreads faced by the financial intermediaries, and the implicit incentives (or lack thereof) to deposit mobilization. A comparison of the figures reported in Tables 6 and 7 shows that it has been always cheaper for banks to capture deposits from the public, even at the highest rates (long term, large balances), than to borrow from the BCEAO at the normal rediscount rate (TEN). Furthermore, it is more profitable to

6/ Not considering demand deposits, where the obligation to pay interest was suspended in January 1985, or public sector deposits. According to BCEAO regulations, interest rates on public sector deposits are negotiated with the banks; in practice, they tend to follow the rate structure of private deposits.

lend to preferential sectors (e.g., agriculture) out of deposit resources than to rediscount the loan with the BCEAO at the preferential rate (TEP). Not surprisingly, as will be discussed further in the following chapter, only two (public) banks use rediscount at all.

The gross spreads implicit in the interest-rate regulations described in Tables 6 and 7 have shrunk since 1982 from a range between 5 and 17.5 percent to a range of 5 to 13.5 percent after September 1986. Reserve requirements are not considered in these estimates since in fact they are not enforced, and in practice banks hold their reserves as deposits in the UMOA's money market, earning fairly attractive rates of return.

The gradual reduction in the gross spreads implicit in the BCEAO interest-rate policy has not been substantial, even though it may have affected the lending policies of financial intermediaries. Furthermore, the gap between rediscount rates and deposit rates has maintained the incentives to rely upon deposit mobilization instead of BCEAO borrowing as primary source of funds. This incentive to banks and the positive real returns to savings pointed out above help explain the growing performance of quasi-money (interest-bearing deposits) as percent of GDP in recent years.

Finally, the interest rates prevailing in the UMOA's money market constitute another major factor conditioning the decisions of financial intermediaries in Togo. The UMOA's money market was created in 1975 with the objective of providing the BCEAO with an

additional instrument of monetary control. It was also expected that the money market would help reduce capital flight from the currency area by offering the banks a suitable use for their excess reserves.

The BCEAO intervenes heavily in the UMOA money market through sale and purchase operations to control the interest rates prevailing at any point in time. The average annual rates in the money market for the period 1975-1986 are reported in Table 8. Not surprisingly, the behavior of these rates follow closely the fluctuations (although not the levels) of the other rates administered directly by the BCEAO.

An important consequence of the access to money market transactions by Togolese banks is that it makes holding excess reserves at money market rates more attractive than lending under preferential lines of credit. As an illustration, the current maximum lending rate applicable to short-term agricultural loans is 8 percent per year (see Table 6), which probably reduces to about 7 percent when allowance is made for default risk^{7/}. On the other hand, a three-month deposit in the money market yielding 8.7 percent per year with certainty offers a more attractive alternative to the financial institution. Through this mechanism the existence of the money market has an important effect on the results of the selective credit policy discussed below.

^{7/} As of the end of October 1986, arrears and doubtful loans accounted for almost 9 percent of total credit to the economy (excluding the government) by the banking system. There is consensus among Togolese bankers that lending to agriculture is considerably riskier than lending to any other sector.

Table B

Average Annual Interest Rates in the UMOA Money Market, 1975 - 1986

Year	Overnight		One-month		Three-month	
	Deposits	Advances	Deposits	Advances	Deposits	Advances
		%		%		%
1975	7.000	7.125	--	--	--	--
1976	6.875	7.125	--	--	--	--
1977	7.000	7.250	--	--	--	--
1978	7.250	7.500	7.063	7.313	7.125	7.375
1979	6.938	7.188	7.063	7.313	7.313	7.563
1980	10.250	10.531	10.375	10.625	10.625	10.875
1981	14.500	14.813	14.625	14.875	14.875	15.125
1982	14.000	14.333	14.125	14.375	14.375	14.625
1983	11.500	11.813	11.625	12.875	11.875	12.125
1984	11.125	11.406	11.250	11.500	11.800	11.750
1985	10.625	10.875	10.750	11.000	11.000	11.250
1986	8.333	8.583	8.458	8.708	8.656	8.906

Source: Toh (1986), and BCEAO.

Selective Credit Policy

The selective credit policy established by the National Credit Committee of Togo attempts to favor agriculture, small and medium-size enterprises, and low-income housing ("habitat social"). For 1986, the Committee requested the financial institutions to allocate at least 40 percent of their portfolios to these priority sectors, distributed as follows: 15 percent to agriculture, 2 percent to livestock and fisheries, 15 percent to small and medium-size enterprises, and 8 percent to low-income housing. A recent report of the Committee indicates that by September 1986 none of these objectives was being met (Comité National du Cr dit du Togo, 1987). Only 17.5 percent of total credit had gone to the priority sectors: 4 percent to agriculture, 0.5 percent to livestock and fisheries, 8 percent to small and medium-size enterprises, and about 5 percent to social housing.

The Committee did not expect that the intended targets would be met, nor was this a surprising outcome of the selective credit policy. Three factors contribute to this result: first, there are no real sanctions to the banks that do not follow the Committee's requests. Even though some sanctions have been defined, they are not enforced in practice. Second, the UMOA's money market offers a profitable and secure alternative to risky loans to preferential sectors. Third and most important, the sectors the policy attempts to favor do not constitute an attractive clientele to Togolese banks.

"There is no bankable clients in agriculture" is a common response of private bankers, who consider the selective credit policy of the National Committee as primarily "indicative"^{8/}. Furthermore, many loans classified as agriculture in the books are large loans to well established agricultural marketing enterprises, therefore the share of agriculture in the banks' overall portfolio reported above should not be interpreted as credit to farmers.

The lack of effectiveness of selective credit allocation policies favoring agriculture is well illustrated in Table 9, where sectoral shares in total institutional credit are contrasted against sectoral shares of GDP, using the averages for the period 1981-1985. The primary sector (agriculture, livestock, forestry and fisheries) accounted for only 2.4 percent of total institutional credit^{9/}, a rather low share even for West-African standards. Given that the primary sector contributed one-third of total GDP in the same period, the resulting credit-to-GDP ratio is only 1.5 percent. This figure is consistent with the findings of a recent study (Cuevas, 1987), which estimated credit-to-gross income ratios between 2.7 and 3 percent for rural

^{8/} Rather naively, the National Committee maintained basically the same credit targets for 1987 (Comité National du Cr dit du Togo).

^{9/} This figure does not consider credit union activity, important in Togo, since credit unions do not report their lending to the Central Bank. The credit union movement will be analyzed in detail later in this report.

Table 9

Togo: Sectoral Shares in GDP and in Total Institutional Credit,
and Credit to GDP Ratios. Averages for the Period 1981 - 1985

Sector	Share in Non- Government GDP at Market Prices	Share in Total Institutional Credit ^a	Credit to GDP ratio
	%	%	%
Primary ^b	33.0	2.4	1.5
Secondary	25.1	42.0	33.9
Mining	11.1	13.7	25.0
Manufacture	8.0	18.5	47.1
Construction and Energy	6.0	9.8	32.7
Tertiary ^c	41.9	55.6	26.8
All Non-government	100.0	100.0	20.2

Source: Appendix Tables 2 and 6.

a Does not include credit unions among the sources. Includes public institutions as beneficiaries.

b Agriculture, Livestock, Forestry and Fisheries.

c Transport, Commerce and Services.

households, including loans that would not be classified as agriculture under common banking standards.

The secondary and tertiary sectors compensate for the imbalance between contribution to GDP and share in institutional credit observed for agriculture. Manufacture appears as the sub-sector with the most disproportionate share in total credit. Overall, the tertiary sector (primarily commerce) is the dominant end-use of institutional credit, and at the same time is the sector with the largest contribution to GDP.

In summary, this chapter has highlighted the financial stabilization attained by the Togo economy after the crisis of the early 1980s. In spite of the economic contraction, financial deepening ratios increased steadily between 1981 and 1985, due primarily to the growth of interest-bearing liabilities of the banking system (quasi-money). Interest-rates regulations have contributed to this performance maintaining relatively high rediscount rates, thus making more attractive for financial institutions to capture deposits from the general public than to borrow from the BCEAO. Even though gross spreads implicit in the BCEAO regulations have diminished during the period under analysis, the UMOA's money market has provided a profitable alternative for banks' liquidity. This has contributed to make selective credit policies ineffective.

3. PERFORMANCE OF FINANCIAL INSTITUTIONS

The formal financial sector of Togo is comprised by nine banks and two non-bank financial institutions. Overall, banks accounted for 95.2 percent of private deposits in 1986, and for 98.5 percent of total lending to non-government clientele in the same year. Three of the banks are public development banks: the "Caisse Nationale de Crédit Agricole" (CNCA), the "Banque Togolaise de Développement" (BTD), and the "Société Nationale d'Investissements" (SNI)^{10/}. These banks are owned primarily by the state and/or public institutions^{11/}, with some equity underwritten by the BCEAO (in the CNCA and the BTD), the CNCA-France (in the CNCA), the Caisse Centrale de Coopération Economique and the Banque Ouest-Africaine de Développement (in the BTD).

The two most important private commercial banks are the "Union Togolaise de Banque" (UTB), with 35 percent of its equity owned by the state, the "Banque Togolaise pour le Commerce et l'Industrie" (BTCI), where public Togolese institutions hold about 40 percent of the capital. Another important bank is the "Banque Internationale pour l'Afrique de l'Ouest" (BIAO), with two-thirds of its equity in the hands of the BIAO group, and one-

^{10/} The CNCA is one of the key financial institutions analyzed in Chapter 6 of this report.

^{11/} Primarily the "Caisse Nationale de Sécurité Sociale" (CNSS) and the "Office des Produits Agricoles du Togo" (OPAT).

third owned by private Togolese interests. The other three (smaller) banks are primarily foreign-owned: the Bank of Credit and Commerce International (BCCI), the "Banque Arabe Lybienne Togolaise du Commerce Extérieur" (BALTEX), and the "Banque Commerciale du Ghana" (BCG).

Non-bank financial institutions are the "Caisse d'Epargne du Togo" (CET), and the credit-union movement organized around the "Fédération des Unions Coopératives d'Epargne et de Crédit" (FUCEC). Togo credit unions are registered under the authority of the Ministry of Rural Development, and are not regulated by the BCEAO. However, their well-structured financial operations and the existence of a central liquidity facility at the Federation level justify their treatment as financial institutions in this report.

The CET operates through 34 post offices and 2 agencies, while 93 credit unions (Coopecs) are members of FUCEC. The relevance of these non-bank financial institutions relies precisely in their country-wide network of offices or affiliates. They play an important role in providing financial services to sectors of the population that otherwise would have limited or no access to these services. Moreover, the clientele/membership of these institutions is characterized by small depositors. As an illustration, the average size of passbook savings accounts in the CNCA is about 100 thousand francs CFA, whereas the average balance of the accounts held in credit unions is approximately 44

thousand CFA per account, and the average savings balance at the CET is 31 thousand francs CFA^{12/}.

The Caisse d'épargne concentrates in savings operations, with very little credit activity and practically no retail lending. Credit unions on the other hand, comprise a more complete financial intermediary offering both deposits and lending services to their members. The CET and the credit-union movement will be discussed at greater length in Chapter 6 of this report.

Table 10 describes selected features of the banking system in Togo. With 56 permanent branches, the banking system of Togo is substantially more developed, in relation to the country's population, than many other African countries. The average bank branch density in Togo is one branch per 52 thousand inhabitants, more than twice as large as Kenya, three-times that of Somalia, more than four times the density reported for Niger, and almost six times that of Mali^{13/}. Almost 40 percent of all permanent branches are located in Lomé, the capital. Most permanent branches (61 percent) of public development banks are outside of Lomé, whereas the majority of the branches of private commercial banks (60 percent) are located in the capital city.

^{12/} Averages estimated from data reported in CNCA-Togo, "Rapport d'Activité, Exercice 1984/1985" (February 1986), FUCEC-Togo, "Development of the National Credit Union Movement" (March 1987), and Caisse d'Epargne du Togo, "Résultats au 30 Septembre 1986".

^{13/} See Masini, ed. (1987).

Table 10

Togo: Selected Features of the Banking System, 1986

Bank	Branch Network				Market Shares			
	Permanent branches		Periodic branches		Loans	Total Assets	Deposits	
	Number	Percent	Number	Percent			General Public	Government & Others ^a
					%	%	%	%
Public Development Banks	27	48.2	23	88.5	24.5	20.5	16.4	25.7
CNCA	18	32.1	23	88.5	12.4	9.7	7.1	17.7
BTD	7	12.5			10.4	5.8	3.5	2.3
SNI	2	3.6			1.7	5.0	5.8	5.7
Private Commercial Banks	29	51.8	3	11.5	75.7	79.4	83.6	74.2
UTB	11	19.6	1	3.8	24.6	26.9	30.9	31.3
BTCI	7	12.5	2	7.7	21.3	18.5	20.9	16.8
BIAD-Togo	8	14.3			13.7	15.5	17.6	12.6
BCCI	1	1.8			7.5	12.1	9.5	9.1
BALTEX	1	1.8			6.0	4.2	2.7	3.3
BCG	1	1.8			2.6	2.2	2.0	1.1
TOTAL	56	100.0	26	100.0	100.0	100.0	100.0	100.0

Source: BCEAO Lome, and Appendix Tables 3 and 4.

^a International Non-Financial Institutions.

The CNCA is the bank with the largest number of permanent branches, and also maintains 23 periodic branches, all of them functioning outside of Lomé. The UTB, the BTCI and the BIAO are the three largest private banks in terms of the number of branches, and dominate the banking system of Togo by every other indicator. The UTB alone has larger shares in loans, total assets and deposits than all public development banks taken together (see Table 10). As of September 1986, the three largest banks together accounted for 60 percent of total loans, and 61 percent of total assets in the system. The same three banks were depositories of almost 70 percent of the financial savings held by the general public at the banking system, and of 61 percent of deposits held by the government and international non-financial institutions^{14/}.

The dominance of the largest three banks (UTB, BTCI, and BIAO) in the Togo banking system has experienced only a slight decrease since 1980. As shown in Table 11, their share in total assets reduced from over 66 percent in 1980 to about 61 percent in 1986. This difference was captured by the BCCI, whose share in total assets grew from less than 2 percent in 1980 to 12 percent in 1986. Other banks losing market share to the BTCI were the BTD, the SNI, and the BCG.

Market shares in total deposits also showed a weak tendency to de-concentrate between 1980 and 1986. The figures in Table 12

^{14/} Deposits held primarily by the Government of Togo (more than 80 percent of these deposits).

TABLE 11

TOGO: MARKET SHARES OF FINANCIAL INSTITUTIONS. LOANS AND TOTAL ASSETS, 1980-1986.

(IN PERCENT)

FINANCIAL INSTITUTION	PERIOD											
	1980		1981		1982		1983/84		1984/85		1985/86	
	TOTAL		TOTAL		TOTAL		TOTAL		TOTAL		TOTAL	
	LOANS	ASSETS	LOANS	ASSETS	LOANS	ASSETS	LOANS	ASSETS	LOANS	ASSETS	LOANS	ASSETS
	%	%	%	%	%	%	%	%	%	%	%	%
C.N.C.A.	12.2	9.4	13.5	9.1	13.7	7.5	18.1	7.9	18.5	7.6	12.4	9.7
BTB	12.6	9.3	12.6	8.3	11.9	9.1	10.3	6.4	11.1	5.9	10.4	5.8
SNI & FA	1.1	5.7	2.0	6.1	2.4	5.5	2.7	5.8	1.8	5.1	1.7	5.0
UTB	33.1	33.3	30.2	31.8	30.7	32.6	22.0	27.3	20.7	27.3	24.6	26.9
BTBI	21.3	19.5	18.5	19.7	17.6	17.2	17.0	19.0	20.3	16.7	21.3	18.5
BIAO-TOGO	12.4	13.6	14.1	14.6	14.2	15.1	14.0	15.5	13.4	18.2	13.7	15.5
BCCI	0.9	1.5	2.3	3.8	3.0	5.9	7.6	10.4	5.9	12.5	7.5	12.1
BALTEX	3.6	4.9	3.8	4.2	3.9	4.0	5.2	3.7	5.2	3.8	6.0	4.2
BOG	2.7	2.8	3.0	2.2	2.5	3.1	3.1	4.0	3.0	2.9	2.6	2.2
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Appendix Table 3

TABLE 12

TOGO: MARKET SHARES OF FINANCIAL INSTITUTIONS.
DEPOSITS FROM THE GENERAL PUBLIC, THE GOVERNMENT AND THE INTERNATIONAL (NON-FINANCIAL) INSTITUTIONS, 1980 - 1986

(IN PERCENT)

FINANCIAL INSTITUTION	(YEAR)											
	1980		1981		1982		1983/1984		1984/1985		1985/1986	
	GENERAL PUBLIC	GOVERN- MENT & OTHERS	GENERAL PUBLIC	GOVERN- MENT & OTHERS	GENERAL PUBLIC	GOVERN- MENT & OTHERS	GENERAL PUBLIC	GOVERN- MENT & OTHERS	GENERAL PUBLIC	GOVERN- MENT & OTHERS	GENERAL PUBLIC	GOVERN- MENT & OTHERS
	%	%	%	%	%	%	%	%	%	%	%	%
C.N.C.A.	6.2	14.2	7.5	9.2	8.0	9.9	5.4	14.1	5.9	17.6	7.1	17.7
BTD	3.8	1.2	3.4	2.4	3.0	0.0	3.0	2.2	2.1	2.8	3.5	2.3
SNI& FA	6.3	13.4	6.6	15.4	4.8	13.1	5.3	9.8	5.3	7.2	5.8	5.7
UTB	40.6	49.8	34.5	32.6	27.1	28.6	30.5	24.7	30.0	24.8	30.9	31.3
BTCI	19.9	3.6	22.2	27.3	24.2	30.3	20.1	25.5	18.4	22.6	20.9	16.8
BIAO-TOGO	15.1	2.6	16.2	3.8	19.7	5.6	20.2	8.0	23.5	10.7	17.6	12.6
BCCI	2.2	0.0	4.4	1.8	8.2	4.9	11.8	7.5	10.2	9.1	9.5	9.1
BALTEX	3.3	14.7	3.3	5.6	2.5	6.1	1.9	6.6	2.1	4.1	2.7	3.3
BCG	2.5	0.4	1.9	1.8	2.4	1.5	1.8	1.5	2.5	1.2	2.0	1.1
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Appendix Table 4.

indicate that the share of the three largest banks in private sector deposits (deposits from the general public) decreased from 76 percent to 70 percent during this period. Their joint share in deposits from governments and international non-financial institutions increased however, from 56 percent to 61 percent in the same period. Since private deposits dominate over other deposits (see Appendix Table 4), these changes in market shares still represent a small reduction in the dominance of the three largest banks in the market. Again, the BCCI shows a striking growth in its market share during these six years, going from 2 percent to 9.5 percent of private deposits, and from zero to 9 percent of the holdings of government and international non-financial institutions.

The composition of assets and liabilities of the banking system, and the incidence of delinquency in the loan portfolio are reported in Table 13 for the period 1981-1986. The two most important items in the asset portfolio are reserves and credit to non-government clientele, the former growing substantially in importance during the period at the expense of all other assets. From 6 percent of total assets in 1981, the share of reserves increased to about 37 percent in 1986 (see panel A in Table 13).

As indicated in the preceding chapter, reserves are indeed held primarily as deposits at the UMOA's money market, earning returns that compete favorably with many other alternative

Table 13

Togo: Composition of Assets and Liabilities of the Banking System,
and Delinquent Portfolio, 1981 - 1986

Portfolio Item	Year					
	1981	1982	1983	1984	1985	1986
<hr/>						
	Percent					
A. Assets						
Reserves	6.2	11.5	21.6	32.2	38.4	36.8
Foreign Assets	16.4	15.2	12.7	11.4	9.4	7.0
Credit to Government	3.1	2.4	2.1	1.2	0.4	0.2
Credit to Non-Government	49.9	45.7	41.1	32.1	34.8	41.6
Other Assets	24.3	25.1	22.5	23.1	17.1	14.5
Total Assets	100.0	100.0	100.0	100.0	100.0	100.0
B. Liabilities						
Private Sector Deposits	40.3	43.3	46.7	50.0	50.8	55.0
Government Deposits	7.8	8.0	10.9	12.3	17.4	16.0
Central Bank Credit	5.5	5.1	4.2	3.4	2.0	1.6
Foreign Liabilities	18.7	15.1	12.6	12.9	12.7	13.8
Permanent Funds	9.6	8.0	8.4	7.0	6.6	6.6
Other Liabilities	18.1	20.5	17.2	14.3	10.5	7.1
Total Liabilities	100.0	100.0	100.0	100.0	100.0	100.0
C. Share of Delinquent Loans in Credit to Non-Government						
	Percent					
Unrepaid & Immobilized	4.9	2.5	2.7	3.1	3.3	2.5
Doubtful & in Legal Proc.	2.7	6.8	8.1	13.2	8.3	6.4
Total Delinquent	7.7	9.3	10.8	16.3	11.6	8.9

Source: BCEAO, *Statistiques économiques et monétaires*, various issues.
Percentages calculated using end-of-December balances for all years,
excepting 1986 for which October balances were used (most recent
available data).

allocations^{15/}. Furthermore, Togo is a net creditor in the UMOA money market, while most other member countries are net debtors (borrowers) in this market. In practice, this means that private deposits in Togo are funding investments in other UMOA countries, at an increasing rate over the last five years, and at the expense of domestic credit^{16/}. As suggested above, the structure of interest rates determined by the BCEAO on the one hand, and the risk involved in some lines of domestic credit on the other hand, have favored this disguised form of capital flight.

On the liability side, both private and government deposits increased their shares in the banking system's consolidated portfolio between 1981 and 1986, while all other liabilities decreased their participation (panel B in Table 13). These trends are particularly notorious after 1983. Banks have relied increasingly more upon locally mobilized deposits, reducing significantly their dependency on the central bank (the BCEAO) and foreign borrowing. Indeed, only two banks (the CNCA and the BTD) still borrow from the BCEAO, and no private bank has held liabilities with the central bank since 1982 ^{17/}. This is clearly a healthy trend in the banking system, which contrasts with many other developing economies where increasing reliance in central

^{15/} Money market deposits represented about 98 percent of total reserves in October 1986 (BCEAO, **Statistiques économiques et monétaires**).

^{16/} The largest net borrowers at the UMOA money market during the period 1984-1986 have been Côte d'Ivoire and Sénégal (BCEAO, **Banques et monnaies**, October 1986).

^{17/} With the exception of small balances at the BCG.

bank funding has seriously hindered domestic deposit mobilization.

Panel C in Table 13 shows that the credit portfolio of the banking system deteriorated between 1981 and 1984, to recover partially in the last two years of the series. As pointed out above, this increasing riskiness of domestic credit has contributed to a re-allocation of the asset portfolio away from domestic lending and towards holdings at the UMOA money market. The absence of sanctions associated with the selective credit policy has allowed the banks to improve their financial standing through sound portfolio management.

Finally, the composition of the loan portfolio of the banking system during the period 1981-1986 is presented in Table 14, classified by term structure and sector of activity. Sectoral shares in total bank credit are summarized in Table 15. Short-term credit dominates the loan portfolio of banking institutions, even though the share of short-term loans has decreased from 75 to 71 percent of total credit between 1981 and 1986 (see Appendix Table 5). This reduction indeed took place after 1983, i.e., once the country started to recover from the financial crisis of the early 1980s, and the risk associated with the loan portfolio showed signs of reduction.

Short-term credit is heavily concentrated in the commerce sector, which also accounts for a large proportion of total medium-term credit (Table 14). Agriculture shows a very small share in short-term lending, and larger participation in longer

TABLE 14

TOGO: SECTORAL SHARES IN INSTITUTIONAL CREDIT BY TERM STRUCTURE, 1981 - 1986

(IN PERCENT)

TERM STRUCTURE	SECTOR	(YEAR)					
		1981	1982	1983	1984	1985	1986
		%	%	%	%	%	%
SHORT TERM	AGRICULTURE	1.9	1.9	1.5	1.5	1.4	0.9
	MINING	22.2	22.2	9.9	11.3	10.0	25.5
	MANUFACTURING	15.6	16.2	19.7	19.8	10.5	7.5
	ELECTRICITY, GAS, WATER	1.2	0.0	0.1	2.1	0.2	0.4
	CONSTR. & PUBLIC WORKS	11.0	9.3	8.8	9.8	11.1	11.3
	TRADE	42.2	44.1	52.3	48.3	57.4	46.6
	TRANSPORTS & COMMUNICATIONS	3.6	3.8	4.4	3.9	5.5	4.5
	INSURANCE & REAL ESTATE	0.6	0.6	0.9	0.8	1.0	0.7
	SERVICES	1.7	1.9	2.4	2.4	2.8	2.7
	TOTAL	100.0	100.0	100.0	100.0	100.0	100.0
	of which:						
	PRIVATE ENTERPRISES	57.7	54.4	67.3	67.2	78.2	64.1
	PUBLIC ENTERPRISES	42.3	45.6	32.7	32.8	21.8	35.9
MEDIUM TERM	AGRICULTURE	4.6	4.2	4.0	4.4	4.0	3.6
	MINING	5.9	2.5	1.3	17.5	16.6	16.3
	MANUFACTURING	32.5	33.7	27.9	18.6	12.2	14.4
	ELECTRICITY, GAS, WATER	10.0	7.1	5.0	3.9	3.6	2.8
	CONSTR. & PUBLIC WORKS	0.8	2.5	2.1	1.3	3.1	2.4
	TRADE	9.7	15.1	17.8	20.9	25.9	26.1
	TRANSPORTS & COMMUNICATIONS	2.9	2.3	2.3	1.6	1.5	2.6
	INSURANCE & REAL ESTATE	1.6	2.3	5.8	3.9	4.3	3.9
	SERVICES	31.9	30.3	34.8	27.9	28.7	27.9
	TOTAL	100.0	100.0	100.0	100.0	100.0	100.0
	of which:						
	PRIVATE ENTERPRISES	76.1	83.5	85.2	72.2	75.1	78.2
	PUBLIC ENTERPRISES	23.9	16.5	14.8	27.8	24.9	21.8
LONG TERM	AGRICULTURE	11.8	11.2	5.6	5.5	4.7	4.5
	MINING	19.8	15.4	0.0	0.0	0.0	0.0
	MANUFACTURING	44.5	34.7	36.7	17.2	11.0	13.6
	ELECTRICITY, GAS, WATER	0.0	13.4	0.0	0.0	0.0	0.0
	PUBLIC ADMINISTRATION	0.0	0.0	0.0	0.0	0.0	0.0
	TRADE	6.0	4.7	5.4	5.3	0.4	2.1
	TRANSPORTS & COMMUNICATIONS	1.5	1.2	1.3	0.0	0.0	0.5
	INSURANCE & REAL ESTATE	0.0	0.0	0.0	0.0	0.0	0.0
	SERVICES	16.3	19.4	50.9	72.0	83.9	79.4
	TOTAL	100.0	100.0	100.0	100.0	100.0	100.0
	of which:						
	PRIVATE ENTERPRISES	50.5	44.2	74.8	95.8	100.0	100.0
	PUBLIC ENTERPRISES	49.5	55.8	25.2	4.2	0.0	0.0

Source: Appendix Table 5.

term credit. In all cases however, the share of agriculture has decreased during the period under analysis. This decreasing trend is clearly shown in Table 15, where the share of the primary sector decreases from 2.7 percent of total credit to 1.7 percent in the five-year period. At the same time, the participation of the tertiary sector, primarily commerce, increased from 47 percent in 1981 to almost 57 percent in 1986, while the secondary sector reduced its share from 50 percent to 42 percent in the same period.

The other important trend observed in Tables 14 and 15 is the growing participation of private enterprises in total credit of the banking system. Lending to private enterprises represented 62 percent of the total credit portfolio in 1981, and increased to about 67 percent in 1986, having reached a peak of almost 78 percent in 1985 (see Table 15). Private firms received about 80 percent of medium-term credit, and a growing share of long-term credit during this period. Moreover, in the last two years of the series all long-term lending went to private firms.

In summary, the Togolese banking system appears fairly strong and developed relative to other developing African economies. The banking system relies primarily on domestic deposit mobilization as source of liquidity, and allocates most of domestic credit to private enterprises. However, the incentive structure implicit in the regulations prevailing since 1980 has induced the banks to allocate an increasing proportion of their assets to reserves held as money market deposits at the

Table 15

Togo: Sectoral Shares in Total Institutional Credit, 1981 - 1986

Sector	Year					
	1981	1982	1983	1984	1985	1986
	Percent					
Primary ^a	2.7	2.6	2.2	2.4	2.3	1.7
Secondary	50.0	47.5	37.8	42.1	32.6	41.8
Mining	18.3	17.8	7.7	12.9	11.9	22.6
Manufacture	20.0	20.3	21.9	19.4	11.0	9.4
Energy & Utilities	3.3	1.7	1.3	2.6	1.3	1.0
Constr. & Public Works	8.4	7.7	7.0	7.3	8.4	8.7
Tertiary ^b	47.3	49.9	60.0	55.5	65.1	56.5
Commerce	34.0	37.2	43.2	40.0	46.5	40.3
Transp. & Communic.	3.4	3.4	3.9	3.2	4.2	3.9
Ins. & Real Estate	0.9	1.0	2.0	1.7	2.1	1.5
Services	9.0	8.3	10.9	10.6	12.4	10.8
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0
of which:						
Private Enterprises	62.0	60.5	71.6	69.0	77.6	68.6
Public Enterprises	38.0	39.5	28.4	31.0	22.4	31.4

Source: Appendix Table 6.

a Agriculture, Livestock, Forestry and Fisheries.

b Excludes government.

UMOA. This subtle form of capital flight has occurred at the expense of domestic credit, where the share of agriculture has been particularly affected.

4. RURAL CREDIT OUTSIDE FINANCIAL INSTITUTIONS

Since this report considers Togo credit unions (savings and loans cooperatives) among the financial institutions, rural credit "totally" outside financial institutions is constrained to the transactions taking place in the informal market¹⁸. On the other hand, most special programs in agriculture operate their credit components through the CNCA, therefore these liquidity flows are included in the institutional credit figures discussed in previous chapters. However, credit is a minor component (if at all) of public investment programs directed to rural development, which indeed represent the single most important flow of capital into rural areas.

This chapter reviews first the operations of special programs in agriculture and the role of non-financial institutions in these programs. As part of this review, public investment in rural development is summarily documented and analyzed. Second, the chapter discusses the importance of informal markets in the provision of financial services to rural

¹⁸ The activities of Togo credit unions are analyzed in Chapter 6.

households. This discussion is based on the findings of a recent study sponsored by the World Council of Credit Unions (WOCCU) and the United States Agency for International Development (USAID)^{19/}.

4.1. Non-financial Institutions and Special Programs in Agriculture

A large number of special projects operate in the rural areas of Togo, funded by a dozen foreign donors and Togolese counterpart funds. Among the most important programs in agricultural production, the following donor agencies stand out: the "Caisse Centrale de Coopération Economique" (CCCE) and the "Fond d'Aide et de Coopération" (FAC), which support cotton and coffee/cocoa programs; the World Bank (WB), also involved in coffee/cocoa initiatives; the "Fond Européen de Développement" (FED), funding crop production in the Savanna region, and the United States Agency for International Development (USAID), with similar programs in the Kara region; the KFW of Germany provides funding for input subsidies. Integrated rural development projects are currently being sponsored in several regions of the country by the CCCE/FAC, the World Bank and USAID, as well as by the GTZ (German cooperation agency), and the International Fund for Agricultural Development (IFAD).

Most of the projects indicated above rely upon government non-financial institutions for technical assistance, promotion

^{19/} Cuevas (1987).

and extension, and input delivery^{20/}. Three government agencies need to be highlighted in this respect:

- (a) The "Direction Générale du Développement Rural" (DGDR), an agency of the Ministry of Rural Development, responsible for the coordination of implementation, monitoring and inspection of all rural development projects. The DGDR is represented in each of the five economic regions by a regional agency (DRDR), in turn comprised by Sectors (préfecture level) and Agencies (sous-préfecture level). Most of the technical assistance and credit-related activities associated with food crops are performed by personnel of the DRDR.
- (b) The "Société Togolaise du Coton" (SOTOCO), the institution in charge of promotion, production support, technical assistance, marketing and processing of cotton^{21/}. All loans to cotton growers, regardless of the source of funds, are processed through and guaranteed by the SOTOCO.
- (c) The "Société pour la Rénovation et le Développement des Cafésières et Cacaoyères Togolaises" (SRCC), a direct beneficiary and participant in all projects aimed at the improvement of coffee and cocoa plantations.

^{20/} In some cases, the projects set up their own teams to perform these functions (e.g., IFAD).

^{21/} SOTOCO purchases from cotton producers on behalf of the "Office des Produits Agricoles du Togo" (OPAT), whose functions are described in detail in the next chapter.

The support provided by these government institutions to rural development projects represents a substantial subsidy to rural areas. As indicated above, the credit component of these public investment initiatives is small or non-existent. However, the amounts of funding involved in these projects to support direct physical investment (e.g., irrigation facilities and equipment), technical assistance and training represent large inflows of capital in the rural areas that need to be considered here.

Rural development accounted for 30 percent of total public investment in the period 1981-1986 (see Appendix Table 7), and is expected to represent one-third of the 1987-1989 public investment program (World Bank). Public investment in rural development between 1981 and 1986 was about 8 times the amount of institutional credit allocated to the primary sector (Appendix Tables 6 and 7), and shows a steadily growing trend since 1983.

About three-fourths of total public investment is externally funded, under the form of grants or loans to the Togolese government. Most of these funds and their domestic counterpart are directly invested in rural infrastructure (e.g, the Nangbeto dam), or institutional support (notably the SRCC). The payments to local resources originated by these projects represent a substantial amount of liquidity flowing into rural areas, and therefore an important potential demand for financial services.

4.2. Informal Finance in Rural Areas

This section relies upon the findings of a recent household survey undertaken in rural areas of Togo, as part of a WOCCU/USAID study of Togo credit unions. Some 400 interviews were carried out in about 40 rural villages in different regions of the country. The sample was designed so that about one-half of the respondents were members of credit unions (Coopecs), and the other half were rural households of comparable income levels and activity (see Cuevas, 1987). The major findings reported in this study in reference to the importance of informal finance, as compared to institutional finance, are summarized below.

Access to Credit

A large proportion of the respondents had obtained at least one informal loan in the year preceding the date of the interview. As shown in Table 16, 40 percent of all households in the sample received a loan from an informal source. These figures represent a lower-bound estimate of access to informal sources of funds, since they consider only the most important loan received by the respondent during the year. In fact, about 10 percent of the households had received loans from more than one source.

Overall, relatives were the most important source of assistance (48 percent of all loans received), whereas traders were the suppliers of funding in about one-fourth of the cases. Moneylenders were the source of an informal loan in less than 12 percent of the cases, even though about 40 percent of the

respondents acknowledged the existence of moneylenders in the village.

The most important form of informal loans was cash (65 percent of the cases), followed by grains and other consumer goods (18 percent). Consumer credit from retailers was the form of informal borrowing in almost 10 percent of the cases. No major differences were observed between members and non-members of credit unions in terms of the form taken by informal loans or assistance.

On the other hand, the households in the sample (389) had received a total of 310 institutional loans in the last 5 years, i.e., an average of 62 loans per year for 389 households. This gives an overall rate of access to institutional loans of 15.9 percent. In other words, about 16 percent of the rural households can expect to obtain an institutional loan each year. A similar exercise gives a rate of access for Coopec members of 27.3 percent (272 loans in 5 years for 199 households), and only 4 percent for non-members of Coopecs (38 loans in 5 years for 190 households). Thus one of the major contributions of the credit-union organization stands out here, namely a substantially improved access to institutional credit for the members.

A summary of the findings related to access to institutional and non-institutional credit is presented in Table 17. Overall, as expected, rural households have more access to informal loans than they have to institutional credit. However, the amounts borrowed from informal sources are on average about one-third of

Table 16

Togo: Informal Borrowing by Rural Households, Members and Non-Members of COOPECs, by Source of the Loan

Source of Informal Loan	COOPEC Members		Non-Members		Total	
	Number	%	Number	%	Number	%
Relatives	41	46.6	34	49.3	75	47.8
Friends & neighbors	9	10.2	10	14.5	19	12.1
Traders	22	25.0	16	23.2	38	24.2
Moneylenders	12	13.6	6	8.7	18	11.5
Other	4	4.6	3	4.4	7	4.5
Total	88	100.0	69	100.0	157	100.0
Percent of total sample	44.2%		36.3%		40.4%	

Source: Cuevas (1987).

Table 17

Togo: Access to Institutional and Non-Institutional Credit. A Summary

Sub-sample	Institutional Credit		Informal Loans	
	Percent of Households per year	Average Loan Amount FCFA	Percent of Households per year	Average Loan Amount FCFA
COOPEC Members	27.3%	60,591	44.2%	44,781
Non-Members of COOPECs	4.0%	318,749	36.3%	20,826
Total Sample*	15.9%	84,526	40.4%	33,852

Source: Cuevas (1987).

* Weighted averages.

the amounts borrowed from institutions. An striking contrast observed in Table 17 is in the average amounts of loans borrowed by members vis à vis non-members of credit unions, the latter being about five times as large as the former. It is clear from these figures that the few loans received by non-members of credit unions are heavily concentrated in loans of very large amounts, whereas most Coopec loans are of smaller amounts.

The "expected value" of institutional credit for Coopec members would be 16,541 FCFA, i.e., the average loan amount (60,591 FCFA) times the rate of access (27.3 percent) which can be interpreted as the probability of obtaining a loan in a given year. A similar exercise with the informal-loans figures for Coopec members in Table 17 gives an "expected value" of informal credit of 19,793 FCFA. This is still higher than the amount obtained for institutional credit, but it brings the incidence of institutional credit for Coopec members to about 46 percent of the total "expected" borrowing from all sources^{22/}.

An interesting exercise with the figures reported in Table 17 involves considering the total amount of liquidity likely to be borrowed in a given year by members versus non-members of Coopecs, and relate these amounts to the average gross income reported for each group in the study referred to above. Total (expected) borrowing is obtained adding up the expected values of

^{22/} This incidence is almost four times as high as that found in the rural areas of Niger for example, where there is no credit-union network, and institutional credit relies upon the CNCA input delivery system.

institutional plus non-institutional loans calculated as indicated above. This amount averages 36,334 FCFA in the case of Coopec members, which represents seven percent of average gross household income in this group. The same calculation with the figures reported for non-members gives an average (expected) total borrowing of 20,310 FCFA per year for this sub-sample, or 4.4 percent of their average gross household income.

Access to Deposit Services and Other Uses of Liquidity

The WOCCU/USAID survey found that members of Coopecs and non-members of Coopecs showed similar access to traditional forms of financial savings (adakavi, tontine, caisses collectives, yes-yes). Overall, about 16 percent of the respondents acknowledged participating at some form of non-institutional savings group or scheme. Use of these forms of savings was more frequent among Coopec members (19 percent of the cases) than among non-members of Coopecs (14 percent of the households). This is an interesting finding because it implies that the credit-union organization does not indeed substitutes for traditional forms of savings, but instead represents an addition to the existing informal savings groups, therefore it represents a net improvement in the availability of deposit services.

Among the traditional forms of savings in which the households participate, the tontine was the most common (70 percent of those participating in non-institutional savings schemes). Adakavis and "yes-yes" accounted each for about 11

percent of the cases of informal savings. The average amount deposited (or contributed) to these traditional organizations was about 1,300 FCFA per participant.

Informal lending or the provision of assistance to others was found to be a widespread practice in the sample under analysis. Forty-three percent of the respondents in the sample indicated having supplied a loan or some form of assistance to others in the 12-month period preceding the interview. This proportion was almost 50 percent among members of Coopecs, and reached about 37 percent among non-members of Coopecs.

The amounts involved in informal lending (primarily in cash) are reported in Table 18. Loans granted by Coopec members were larger than average, and they also show a larger dispersion than those supplied by non-members. The higher frequency of informal lending observed among Coopec members, and the larger average amounts lent, suggest that an important degree of liquidity circulation takes place through credit union members. In other words, their improved access to sources of funds associated with their participation in the Coopecs allows them to become, in turn, a source of liquidity to other members of the rural community.

The provision of deposit services to the rural population stands out here as the major contribution of a credit-union network. Table 19 shows the striking differences between Coopec members and non-members of Coopecs in this respect. The vast majority of Coopec members (98 percent) indicated holding

Table 18

Togo: Informal Lending. Amounts Lent by CDOPEC Members and by
Non-Members of CDOPECs in the Year Preceding the Interview

Sub-sample	Amount Lent, FCFA			
	N	Mean	Minimum	Maximum
CDOPEC Members	78	27,273	60	320,000
Non-Members of CDOPECs	55	20,695	800	312,000
Total Sample	133	24,553	60	320,000

Source: Cuevas (1987).

Table 19

Togo: Institutional Savings. Access to Depository Institutions
by Rural Households, Members and Non-Members of COOPECs

Institution	Sub-sample					
	COOPEC Members		Non-Members of COOPECs		Total Sample	
	Number	%	Number	%	Number	%
COOPEC (only)	175	90.7	2	1.1	177	47.1
Caisse d'Epargne	6 ^a	3.1	8 ^b	4.4	14	3.7
CNCA	8 ^a	4.2	15 ^c	8.2	23	6.1
Banks and other depository inst.	1	0.5	7	3.8	8	2.1
None	3	1.6	151	82.5	154	41.0
Total Sample	193	100.0	183	100.0	376	100.0

Source: Cuevas (1987).

^a Accounts held in addition to a COOPEC account.

^b Includes 3 cases of accounts being held both at the Caisse d'Epargne and at other banks.

^c Includes 1 case of accounts being held both at the CNCA and at the Caisse d'Epargne.

deposits at institutions, whereas only 17 percent did so among non-members of Coopecs. The presence of the Coopec explains 91 percent of the access of Coopec members to institutional savings.

Another important feature of the effect of Coopecs on the community is highlighted in Table 20. Average amounts of deposit transactions as well as average amounts of deposit balances appear clearly smaller for Coopec members than among non-members. The difference is particularly striking in the case of deposit transactions. These contrasts illustrate the fact that Coopecs tend to make deposit services available to small depositors, i.e., households that ordinarily would not have access to, or would not be appealing as clients for, other depository institutions.

In summary, this section has shown that informal finance plays an important role in the rural areas of Togo. Informal borrowing, participation in traditional savings organizations, and informal lending are activities carried out by a significant proportion of the rural population. The presence of credit unions (Coopecs) involves a net addition to the supply of financial services, credit and deposits, in the rural community. Coopec members benefit from substantially improved access to institutional loans and deposit services as compared to non-members of Coopecs, in addition to enjoying comparable or better access to the traditional forms of informal credit and informal savings. Furthermore, Coopec members contribute to increase

Table 20

Togo: Institutional Savings. Average Amounts of Deposit Transactions Made and Deposit Balances Held by Rural Households, Members and Non-Members of COOPECs

Sub-sample	Average Amounts in FCFA*			
	Deposit Transactions		Deposit Balances	
	Minimum	Maximum	Minimum	Maximum
COOPEC Members	4,457	13,182	19,635	32,235
Non-Members of COOPECs	38,386	87,261	93,871	174,418
Total Sample	8,698	22,863	29,809	51,486

Source: Cuevas (1987).

- * Extreme values for the year preceding the date of the interview.

liquidity circulation, and represent a source of informal loans to other households in rural areas.

5. INFRASTRUCTURE FOR RURAL DEVELOPMENT AND PRICING POLICIES

Three ministries are involved in rural development in Togo: (i), the Ministry of Planning and Industry is responsible for the preparation and evaluation of public investment projects in the area; (ii), the Ministry of Rural Infrastructure Development is in charge of public works in rural areas, equipment management, environmental protection and land reform, and (iii), the Ministry of Rural Development is responsible for the coordination of agricultural production activities, extension services, agricultural research, and cooperatives.

Most coordination, monitoring and extension functions of the Ministry of Rural Development are executed through the "Direction Générale du Développement Rural" (DGDR), whose role in rural development projects was described in the preceding chapter. The 'Direction des Enquêtes et Statistiques Agricoles' (DESA), a division of the DGDR, is in charge of collection of agricultural production and price statistics.

Two important para-statal under the Ministry of Rural Development were also dealt with in reference to their role in public investment projects: the SOTOCO, in charge of cotton production programs, and the SRCC, with similar functions in

cocoa and coffee (see Chapter 4). The two key marketing parastatals, the "Office National des Produits Vivriers" (TOGOGRAIN), and the "Office des Produits Agricoles du Togo" (OPAT) are considered with some detail below, along with a discussion of agricultural pricing policies. The other parastatals under the Ministry of Rural Development are the "Société Nationale pour les Palmeriae à Huile" (SONAPH), in charge of processing oil-palm products, and the "Office de Développement et 'Exploitation Forestière" (ODEF), responsible for forestry development.

Finally, food crop research in Togo has been conducted primarily by IRAT, the french institute, under special agreements with the Togolese government. Similar agreements have operated for research on cotton, coffee and cocoa. The DGDR, expected to coordinate agricultural research efforts, lacks the appropriately skilled staff to perform this function (World Bank). Likewise, insufficient resources have constrained the extension efforts of the regional agencies (DRDRs), forcing some special investment projects to operate their own extension and technical assistance programs. Attention is being given to improving the structure of the DGDR and its regional agencies (World Bank).

5.1. Marketing and Prices of Food Crops^{23/}

Food crops are freely marketed through private channels in Togo. Almost all private market agents of food crops are women.

^{23/} Part of the information discussed in this section was extracted from World Bank, "Country Economic Memorandum" (February 1987), and personal interviews at TOGOGRAIN.

Private traders account for all transactions of yams and manioc, and most of grain trade. Most marketed production is traded locally, and varies considerably in quantity between crop seasons depending on the amount of rainfall. As a result, price fluctuations can be substantial from one year to the next. Moreover, lack of storage facilities at the farm level contribute to create wide price differentials within the crop cycle.

Producer prices of food crops are reported in nominal and real terms in Table 21 for the last six years. With the exception of rice, an irrigated crop that does not depend on rainfall, prices of all crops show a decreasing trend in recent years. Particularly striking is the price drop observed in 1985, a year of good rainfall following several dry years. Hence, good climatic years have not necessarily represented years of improved revenues for Togolese farmers.

TOGOGRAIN is the official government para-statal in charge of grain marketing, operating with 118 employees in 9 regional centers. Usable warehouse capacity of TOGOGRAIN is estimated at 15 thousand metric tons (World Bank), which represent less than 5 percent of average annual grain production. Substantial operating deficits incurred by TOGOGRAIN in past market interventions induced the government to restrict the agency's activity to the maintenance of small buffer stocks of cereals. In fact, the value of grain purchases by TOGOGRAIN decreased by 75 percent between 1982 and 1984, and was only partially restored in 1985 in an attempt to control the fall in prices due to that

Table 21

Togo: Producer Prices of Food Crops in Nominal and Real Terms,
1981 - 1986

Crop	Year					
	1981	1982	1983	1984	1985	1986
A. Current FCFA/kilo						
Yams	78	83	89	81	63	69
Manioc (cassava)	41	38	35	38	30	33
Maize	96	100	104	75	48	71
Sorghum/Millet	84	97	111	89	64	68
Kidney beans	179	210	242	176	128	143
Rice (paddy)	87	99	110	97	104	126
B. Constant FCFA 1980/kilo^a						
Yams	65	62	61	58	46	48
Manioc (cassava)	34	29	24	27	22	23
Maize	80	75	71	53	35	49
Sorghum/Millet	70	73	76	63	46	47
Kidney beans	150	158	166	125	93	99
Rice (paddy)	73	74	76	69	75	87

Source: Direction des Enquetes et Statistiques Agricoles (DESA), and
Mission Francaise de Cooperation.

a Deflated by the CPI African families.

year's bumper crop. At present, the buffer stock maintained by TOGOGRAIN is not supposed to exceed 12 thousand tons, and the agency is studying a reduction in the number of regional centers and personnel.

With adequate rainfall, Togo is capable of attaining self-sufficiency in food crops and even generate some surplus. However, producers had not been able to sell in the regional market in West Africa since private exports were prohibited until 1985. Aside from "unofficial" exports to Burkina Faso and Niger, including some re-exports of Ghanaian maize, private traders did not have access to the large regional markets, notably Nigeria. Then in 1986, the Government lifted the prohibition on exports of food crops and implemented the issuance of export licenses, as part of the policy measures undertaken under the Structural Adjustment Program with the World Bank. Other recent policy measures adopted to improve food-crop marketing are the creation of an early warning mechanism for food shortages at the Ministry of Rural Development, and the promotion of village marketing associations. Incentives to create these associations and improve local storage capacity will be funded by USAID grants to the Government.

5.2. Marketing and Prices of Cash Crops

Cocoa, coffee and cotton are Togo's major export crops. Peanuts, karité and palmistes (palm kernels) are of less significance in terms of value of production and export revenues.

Cocoa and coffee are grown in the highlands region of Togo, where production has been declining (cocoa) or rather stagnant (coffee) due to the aging of plantations. An effort to renovate these plantations is under the responsibility of the SRCC, with support from the World Bank, the CCCE, and the FAC.

On the other hand, cotton has had striking success as a rather new cash crop in the country. Production of cotton tripled in the past six years, due to increases in both area and yields. This success is largely attributed to the efforts of the SOTOCO, which has provided credit, subsidies, and technical assistance to cotton growers, also with the support of the World Bank, the CCCE and the FAC (World Bank).

Export-crop purchases and exports are undertaken exclusively by the OPAT, the state marketing board. Purchases of cocoa and coffee, as well as karité and peanuts are performed through registered private traders ("acheteur agréé"), whereas cotton is bought through SOTOCO at the processing plant. Oil-palm products on the other hand are purchased through the SONAPH, the state enterprise for processing palm products. The OPAT provides financing to the registered purchasers, and subsidizes the operations of the SOTOCO.

Unlike food crops, producer prices of cash crops have grown in nominal and real terms since 1983 (see Table 22), in spite of a decrease in world prices experienced in 1986. Producer prices of the three main export crops have increased steadily over the last three years. However, only cotton has been able to react to

Table 22

Togo: Producer Prices of Cash Crops in Nominal and Real Terms,
1981 - 1986

Crop	Year					
	1981	1982	1983	1984	1985	1986
A. Current FCFA/kilo						
Cocoa	220	225	235	275	300	330
Coffee	200	215	235	290	315	365
Cotton	60	65	65	75	90	105
Karite	41	41	45	55	65	80
Palm kernels	52	52	55	60	75	75
Peanuts (husked)	85	95	105	145	175	175
B. Constant FCFA 1980/kilo^a						
Cocoa	184	169	162	196	218	228
Coffee	167	162	162	207	229	253
Cotton	50	49	45	53	65	73
Karite	34	31	31	39	47	55
Palm kernels	43	39	38	43	54	52
Peanuts (husked)	71	71	72	103	127	121

Source: OPAT.

a Deflated by the CPI African families.

these and other incentives (e.g., production subsidies), since cocoa trees and coffee trees require several years to begin production. More importantly, export crops have been used primarily as a source of government revenues through export taxes and OPAT margins, a role that conflicts with providing better price incentives to the producers of these crops.

As shown in Table 23, producers received less than 40 percent of the export price of cocoa and cotton, and less than 30 percent in the case of coffee, during the period 1983-1985^{24/}. An exception was the year 1986, when unexpected reductions in world prices had to be absorbed by the OPAT, at a loss in the case of cotton. In the preceding years however, the OPAT perceived substantial export margins, subsequently "channeled into the Government's budget" (World Bank), in addition to the export taxes collected during the marketing process (see Table 23).

Export taxes and OPAT margins on export crops represent between 8 and 10 percent of government revenues. "By setting the level of OPAT contribution to the budget before it sets producer prices, the Government has long prevented the latter from rising to levels that would give clear incentives to production" (World Bank). Until recent years, the Government's policy was to maintain producer prices relatively constant in real terms. Hence, to protect itself against the need to lower prices in response to reductions in world prices, it tended to keep

^{24/} This assumes that producers are effectively paid the official producer price.

Table 23

Togo: Export Prices and Marketing Margins in Major Export Crops, 1983 - 1986

Crop	Year							
	1983		1984		1985		1986	
	FCFA/ kilo	% of Ex.Price	FCFA/ kilo	% of Ex.Price	FCFA/ kilo	% of Ex.Price	FCFA/ kilo	% of Ex.Price
Cocoa								
Export price (FOB)	603	100.0	984	100.0	1017	100.0	733	100.0
(-)Export margin OPAT	269	44.6	601	61.1	603	59.3	282	38.5
Export cost	334	55.4	383	38.9	414	40.7	451	61.5
(-)OPAT costs&taxes ^a	72	11.9	80	8.1	84	8.3	90	12.3
Wholesale price	262	43.4	303	30.8	330	32.4	361	49.2
(-)Marketing margin	27	4.5	28	2.8	30	2.9	31	4.2
Producer price	235	39.0	275	27.9	300	29.5	330	45.0
Coffee								
Export price (FOB)	835	100.0	1167	100.0	1188	100.0	1023	100.0
(-)Export margin OPAT	466	55.8	731	62.6	718	60.4	491	48.0
Export cost	369	44.2	436	37.4	470	39.6	532	52.0
(-)OPAT costs&taxes ^a	107	12.8	116	9.9	123	10.4	133	13.0
Wholesale price	262	31.4	320	27.4	347	29.2	399	39.0
(-)Marketing margin	27	3.2	30	2.6	32	2.7	34	3.3
Producer price	235	28.1	290	24.9	315	26.5	365	35.7
Cotton								
Export price (FOB)	553	100.0	617	100.0	584	100.0	337	100.0
(-)Export margin OPAT	224	40.5	122	19.8	81	13.9	-60	-17.8
Export cost	329	59.5	495	80.2	503	86.1	397	117.8
(-)OPAT costs&taxes ^a	38	6.9	52	8.4	53	9.1	45	13.4
Wholesale price	291	52.6	443	71.8	450	77.1	352	104.5
(-)Marketing margin	132	23.9	260	42.1	233	39.9	102	30.3
Producer price ^b	159	28.8	183	29.7	217	37.2	250	74.2

Source: Based on prices reported by OPAT and World Bank.

a Includes export taxes.

b Price equivalent adjusted by yield in fiber.

producer prices at a low percentage of the export (FOB) price. The steady increase in producer prices in real terms after 1983 documented in Table 22 is reflecting a tendency to move away from this emphasis on government revenues, towards a policy that would favor the farmers. Future policy is intended to pass on a larger proportion of the world price to the producers, while reducing subsidies on inputs and exploring alternative ways of collecting government revenues from export crops.

6. KEY FINANCIAL INSTITUTIONS AND AN OVERVIEW OF RURAL FINANCE

This final chapter reviews the activities and performance of three financial institutions of primary importance in the rural areas of Togo. First, the "Caisse Nationale de Crédit Agricole" (CNCA) is the major single supplier of agricultural credit in the country, providing about two-thirds of production credit granted by the banking system, and almost 80 percent of credit for marketing of agricultural products^{25/}. Second, the "Caisse d'Epargne du Togo" (CET) offers deposit services in the rural areas through the post-office network, and represents along with the branches of the commercial banks a major channel for liquidity transfers from rural areas to urban centers.

The third "institution" analyzed in this chapter is the credit-union network organized around the "Fédération des Unions

^{25/} Based on figures reported by the CNCA for 1985.

Coopératives d'Epargne et de Crédit" (FUCEC). This fast-growing movement represents a promising alternative for the development of rural financial markets in Togo. Finally, the chapter concludes with a summary overview of the current state of rural finance in the country, and an assessment of the prospects for the future.

6.1. The "Caisse Nationale de Crédit Agricole", CNCA

Created in 1967, the CNCA is a public institution responsible for all operations that can foster the development of agriculture, rural handicrafts and fisheries, including the marketing of their products. The Togolese State holds 400 million FCFA of the 1.1 billion FCFA total paid capital of the institution. The other shareholders are four public institutions which hold together 425 million FCFA^{26/}, the BCEAO with 200 million, and the CNCA-France with 75 million FCFA of paid capital.

The CNCA operates 18 permanent branches (9 regional offices and 9 local branches) and 23 periodic (mobile) offices. Fifteen of the permanent branches and all of the periodic offices are located outside of Lomé. Total bank personnel in 1985 was 281 employees, 30 percent of them working at the central office in Lomé. About 8 percent of the total number of employees were

^{26/} These shareholders are the Office des Produits Agricoles du Togo (OPAT), the "Caisse Nationale de Sécurité Sociale" (CNSS), the "Banque Togolaise de Développement" (BTD), and the "Société Nationale d'Investissements" (SNI).

classified as high-level staff in 1985, almost 70 percent as middle management, and the remaining 22 percent as auxiliary service personnel. With these resources, the CNCA provides services to about 50 thousand depositors, and some 45 thousand borrower clients, of which 25 thousand are agricultural producers (Bergougniou)^{27/}.

Credit operations are coordinated with personnel of the DRDR for food crops and cotton, the SOTOCO for cotton, the SRCC for cocoa and coffee loans, and with personnel of the special projects in other development initiatives (e.g., the IFAD project in Notsé). Deposit mobilization activities are undertaken primarily by CNCA personnel, but some current initiatives involve non-government organizations, and personnel of integrated development projects.

Operations have been gradually computerized in recent years at the head office and at the regional branches, along with several training programs for the personnel. Important reorganization efforts are being undertaken to improve record keeping, rationalize accounting practices, and improve loan recovery, a critical problem in the CNCA. The issue of loan delinquency, and the major adjustments undertaken in the accounting system to face the problem are discussed further below.

^{27/} Market shares of the CNCA in loans, total assets, and deposits were shown in Chapter 4 (see Tables 11 and 12).

Liabilities and Capital

The behavior of the different components of the liability portfolio is described in Table 24, excluding current profits (losses). It is clear in this table that deposits have been the predominant source of funds for the CNCA, particularly after 1984. Deposits represented, on average, 62 percent of total liabilities in the period 1983-1986, having increased from 58 percent to over 67 percent of the liability portfolio during this time period. Almost 60 percent of these deposits correspond to private savings, while about 40 percent are accounts held by government institutions (see Chapter 4, and Appendix Table 4). On the other hand, savings accounts and time deposits comprise about 60 percent of the deposit portfolio. Appendix Table 8 shows that the composition of this portfolio has been relatively stable over the last four years, with a growing trend in the share of time deposits at the expense of current accounts held by institutions.

The increasing importance of deposits in the liability portfolio and, to a lesser extent, of the share of lines of credit, has substituted for borrowing from the central bank, i.e., the BCEAO. In fact, the share of rediscount funds in the liability portfolio decreased from 20 percent in 1984 to less than 9 percent in 1986 (see Table 24). This is an important contrast with the trend observed in other CNCAs in West Africa, and other development banks in less-developed economies, where increasing dependency on central-bank rediscount appears to be

Table 24

CNCA-Togo: Selected Liabilities. Composition at Year End and
Annual Rates of Change, 1983 - 1986

Portfolio Item	Year				Average 1983-1986
	1983	1984	1985	1986	

Percentage Composition					
Central Bank	15.0	20.2	5.8	8.9	12.5
Deposits	58.5	53.3	68.1	67.1	61.8
Banks & correspondents	0.8	1.7	1.2	0.7	1.1
Lines of credit	12.5	11.9	16.7	15.1	14.1
Subsidies	0.1	0.1	0.1	0.1	0.1
Capital	10.1	9.2	4.3	1.0	6.1
Other ^a	3.1	3.5	3.7	7.1	4.4
Total ^b	100.0	100.0	100.0	100.0	100.0
Rates of Change, Percent per Year					
Central Bank	-	57.4	-70.3	107.3	31.5
Deposits	-	6.2	32.2	33.3	23.9
Banks & corresp.	-	160.2	-26.9	-27.7	35.2
Lines of credit	-	11.0	44.5	22.7	26.0
Subsidies	-	128.6	0.0	-12.5	38.7
Capital	-	6.1	-51.4	-69.4	-38.2
Other	-	34.0	9.6	158.4	67.3
Total	-	16.6	3.4	35.3	18.4

Source: Based on CNCA records. Accounting year ends on September 30.

a Includes miscellaneous provisions introduced in 1986.

b Excludes profits (losses).

widespread. Also, given the structure of interest rates set by the BCEAO (see Chapter 2), a shift towards a portfolio based more on deposits and less on central bank rediscount is a step in the right direction.

External lines of credit accounted for about 14 percent of total liabilities in the period 1983-1986, showing an important increase in 1985 (see Table 24). Major sources of external funds for the CNCA are the World Bank, the "Caisse Centrale de Coopération Economique" (CCCE) and the "Fond Européen de Développement" (FED). These funds are for the most part targeted to cocoa, coffee, and cotton loans.

Finally, another important result observed in Table 24 is the declining share of capital in total liabilities. This is primarily a result of the increasing amount of provisions for loan default made in recent years, and the consequent operational losses registered in the accounts. Hence, the financial indicators analyzed later in this section show unusually negative net returns to capital, even though the increase in provisions was a sound and realistic adjustment in accounting practices.

Asset Portfolio

The composition of CNCA's financial assets and the performance of its different components in the period 1983-1986 are summarized in Table 25^{28/}. Overall, financial assets grew at

^{28/} Fixed assets have represented a steady 3 percent of the total assets portfolio, therefore the discussion in this section focuses in the performance of financial assets.

Table 25

CNCA-Togo: Financial Assets, Composition at Year End and
Annual Rates of Change, 1983 - 1986

Portfolio item	Year				Average 1983-1986
	1983	1984	1985	1986	

Percentage Composition					
Liquid assets	1.0	2.3	2.9	9.4	3.9
Banks & correspondents	4.0	2.8	2.1	12.6	5.4
Short-term Loans	37.0	42.4	48.8	40.1	42.1
Medium-term Loans	35.3	25.5	22.6	18.1	25.4
Doubtful loans					
<u>less</u> provisions	18.4	23.6	20.4	7.0	17.3
Other financial assets	4.3	3.3	3.2	12.7	5.9
Total	100.0	100.0	100.0	100.0	100.0
Rates of Change, Percent per Year					
Liquid assets	-	153.0	30.1	237.4	140.2
Banks & correspondents	-	-23.2	-19.2	507.7	155.1
Short-term Loans	-	26.3	21.2	-15.2	10.8
Medium-term Loans	-	-20.4	-6.6	-17.2	-14.7
Doubtful loans					
<u>less</u> provisions	-	41.1	-9.2	-64.8	-11.0
Other financial assets	-	-15.0	-0.7	314.7	99.7
Total	-	10.1	5.2	3.2	6.2

Source: Based on CNCA records. Accounting year ends on September 30.

an average annual rate of 6.2 percent with a declining trend in the annual growth rate since 1984. Almost 70 percent of the financial assets is accounted for by short and medium term loans. This share shows a reduction in 1986 to about 60 percent of the portfolio, compensated by increases in the participation of liquid assets and other miscellaneous financial assets.

The slow-down in the growth of financial assets in the last two years, and the changes observed in its composition respond to important adjustments made in accounting practices and management of the CNCA in this period. A more realistic and drastic policy of loan classification has substantially increased the amounts of doubtful loans in the portfolio, while at the same time larger and more appropriate provisions for loan losses have been made in the books. These adjustments are reflected in the declining share of doubtful loans less provisions observed in Table 25, and in the more detailed account presented in Table 26.

Doubtful loans went from 38 percent of total loans outstanding in 1983 to 52 percent in 1986 (see Table 26). At the same time, provisions for these doubtful loans increased from less than one-third in 1983 to 86 percent of doubtful balances in 1986. Similar adjustments were made in both short-term and medium-term loans, and in all sectors of destination. Particularly striking was the increase in provisions for short-term marketing loans, classified as near-100 percent doubtful until 1985. These corresponded to large balances accumulated by the SOTOCO and a group of private marketing companies organized

Table 26

CNCA-Togo: Loans Outstanding, Doubtful Loans and Provisions, by
Term Structure and Sector of Destination, 1983 - 1986

	Year			
	1983	1984	1985	1986
Total Portfolio				
Outstanding, million FCFA	10556.0	13893.7	15361.7	16142.8
Doubtful, % of outstanding	37.8	45.4	48.6	52.0
Provisions, % of doubtful	31.4	37.3	41.5	86.0
Short-term				
Outstanding, million FCFA	7327.7	9052.3	10237.5	10883.3
Doubtful, % of outstanding	46.0	44.5	49.8	51.7
Provisions, % of doubtful	34.5	44.4	43.2	88.1
Agriculture, million FCFA	915.6	1050.6	1301.9	1463.9
Doubtful, % of outstanding	39.3	40.9	38.7	62.3
Provisions, % of doubtful	30.2	35.3	42.3	69.2
Marketing, million FCFA	2079.8	1955.1	1335.0	1916.5
Doubtful, % of outstanding	96.4	99.9	100.0	76.4
Provisions, % of doubtful	26.7	48.0	70.6	100.0
Non-Agriculture, million FCFA	2494.7	2802.9	3407.3	3451.8
Doubtful, % of outstanding	8.2	8.8	9.2	16.5
Provisions, % of doubtful	44.0	45.8	48.9	83.4
Overdrafts, million FCFA	748.8	1376.0	1839.5	1380.2
Doubtful, % of outstanding	24.4	41.1	60.5	71.0
Provisions	14.3	10.7	21.8	90.0
Letters of credit, million FCFA	1088.7	1867.7	2353.8	2670.9
Doubtful, % of outstanding	56.6	44.4	78.1	63.6
Provisions, % of doubtful	65.3	63.4	35.6	88.5
Medium-term				
Outstanding, million FCFA	3228.3	4841.3	5124.2	5259.5
Doubtful, % of outstanding	19.4	47.2	46.2	52.8
Provisions, % of doubtful	15.0	24.6	37.9	81.6
Agriculture, million FCFA	1961.9	3503.2	3917.5	3803.9
Doubtful, % of outstanding	26.7	58.4	51.9	58.9
Provisions, % of doubtful	16.9	25.7	38.8	81.4
Non-Agriculture, million FCFA	1266.5	1338.1	1206.6	1455.6
Doubtful, % of outstanding	8.0	18.0	27.8	37.1
Provisions, % of doubtful	5.5	16.0	32.0	82.4

Sources: Based on CNCA records.

as the "Société Togolaise de Commercialisation de Produits Agricoles" (STCP).

Agricultural (production) loans account for about one-third of CNCA's outstanding portfolio. This share increases to almost 45 percent if marketing loans are included as agricultural credit. Indeed, the CNCA is the only bank, public or private, that complies with the selective credit policy of the National Credit Committee, allocating funds to agriculture well beyond the established targets^{29/}. This compliance represents an important cost for the bank in terms of delinquency in the loan portfolio. As seen in Table 26, non-agricultural loans are by far the least problematic use of loanable funds, even after the drastic adjustments in loan classification and accounting provisions applied in 1986.

Financial Performance

As indicated earlier, the CNCA has experienced important reductions in capital between 1983 and 1986 due to loan recovery problems and financial readjustments aimed at coping with this problem. Consequently, every financial indicator that uses capital in the denominator will appear increasingly inflated over this period of time. This is evident in panel A of Table 27, where gross return on capital shows impressive growth between

^{29/} Figures for 1985 indicate that 70 percent of CNCA's credit was allocated to the priority sectors (agriculture, small and medium-size enterprises, and low-income housing).

Table 27

CNCA-Togo: Selected Financial Ratios, 1983 - 1986

Indicator	Year			
	1983	1984	1985	1986
Percent				
A. Return on Capital				
Gross Return on Capital ^a	138.0	138.5	287.8	929.1
Profit margin ^b	2.7	-33.0	-25.9	-246.9
Net Return on Capital ^c	3.8	-45.7	-74.6	-2294.2
B. Return on Financial Assets				
Gross Return on Fin. Assets	14.3	13.8	13.3	12.7
Financial costs / Fin. Assets	5.9	5.7	5.4	5.6
Provisions / Fin. Assets	3.9	8.0	6.0	31.6
Operational Costs (non-financial) / Fin. Assets	4.2	4.7	5.3	7.0
Net Return on Fin. Assets	0.4	-4.6	-3.4	-31.5

Source: Based on CNCA records.

a Income from financial operations / Capital.

b Net profit / Income from financial operations.

c Net profit / Capital.

1983 and 1986, even though revenues from financial operations had indeed decreased, even in nominal terms, since 1984.

On the other hand, increasing allowances for loan-loss provisions in the expense account, along with growing operational (non-financial) costs, have driven total expenditures up. As a consequence, net profits have gone from a small positive amount in 1983 to huge losses since 1984, that are clearly reflected in the indicators presented in Table 27.

The changes in the composition of sources of funds pointed out above, from BCEAO rediscount to deposits, has helped to slightly reduce the cost of funds. However, the increases in operational (non-financial) expenditures during the period under analysis have outpaced the sluggish growth of financial assets, resulting in increasing average costs (see panel B in Table 27). These changes, and the critical increase in allowances for provisions resulted in the bleak financial picture displayed in Table 27.

Operational expenditures have increased allegedly due to increased loan recovery efforts and savings mobilization campaigns. A recent memorandum of the African Development Fund (ADF) indicates satisfactory rates of loan recovery (90 percent) for loans granted after 1983, as a result of improved loan allocation rules and procedures, and more effective loan recovery practices. Indeed, loan recovery and deposit mobilization campaigns in the cotton area, notably Notsé, have reportedly yielded good results. Savings mobilization efforts undertaken on

an experimental basis in small villages of the Kpalimé area also appear promising. This program, in association with the "Association Village Entreprise" (AVE) deserves a brief description here, since it appears to deviate from the usual top-down creation of credit delivery channels typical of development banking in most countries.

The main objective of the AVE program for the CNCA is the creation of savings and loans organizations at the village level, which will eventually hold accounts at the CNCA. The AVE itself, a private voluntary organization supported by foreign funds, aims at "developing solidarity in rural villages, and providing incentives for the youth to remain in rural areas" (Nyuiadzi). Operating at present in 53 villages of the Kpalimé area, the program grants small loans for three types of investments. In increasing order of magnitude these investments are: small water reservoirs, corn-storage silos, and corn mills.

Loans obtained by the villages under the AVE program are repaid with the proceeds of crops collectively grown in community fields, in addition to the individual holdings of villagers. The AVE has helped the villages organize for these operations, and channeled funds from foreign donors (primarily Swiss aid) to the village beneficiaries of these loans. At present, the CNCA is considering funding some of these group loans, and at the same

time has assigned one agent full time to work with the AVE villages in the promotion of financial savings^{30/}.

In summary, the financial situation of the CNCA appears at present critical. Ironically, in part the bleakness of the financial indicators is explained by sound and realistic measures recently adopted by the institution's management. Larger reliance on deposits, more realistic loan classification and accounting provisions, loan recovery campaigns, and savings mobilization efforts are all adequate measures in the right direction. Apparently, the CNCA-Togo is not totally isolated from the political pressures that characterize agricultural development banks in developing countries, but the recent managerial adjustments undertaken certainly differ from the trends and practices commonly observed in these banks.

6.2. The "Caisse d'Epargne du Togo", CET

The CET is an autonomous public financial institution created in 1959, regulated by the BCEAO since 1978. It accounted for about 4 percent of total private savings in the country in 1986, mobilizing deposits through the post-office network and two agencies. While the two agencies are located in Lomé, the branches of the postal system give the CET national coverage. At least one employee in each post office is devoted to servicing savings transactions on behalf of the CET. An internal survey of

^{30/} A discussion of the CNCA/AVE program can be found in Viganó (1987).

savings accounts carried out in 1981 indicated that public employees were the single most important occupational group among the CET's clientele, and less than 1 percent was accounted for by farmers. However, more than one-half of the accounts are associated with miscellaneous unspecified occupations or no occupation at all (Masini and Calamanti).

The major activity of the CET is the provision of deposit services to a clientele growing at about 7 percent per year (see Table 28). Of the two types of deposits offered by the institution, "ordinary" passbook savings accounts are predominant over the so-called "housing" savings. On average, less than 7 percent of the accounts opened every year corresponded to housing savings between 1981 and 1986. Table 28 reports the behavior of all savings accounts for the period 1981-1986. The number of accounts shows a slow steady growth during this period, whereas real balances decreased until 1983, to recover in the last three years of the series. The average annual growth of real balances was a sluggish 5.4 percent, while real quasi-money in the economy grew at an average annual rate of 22 percent, and savings balances in credit unions averaged almost 30 percent real growth per year during the same period^{31/}.

The single most important use of funds by the CET is loans to government and public institutions, or investments in public projects of "economic and social development" (CET). Even though the current composition of the asset portfolio was not disclosed

^{31/} See the following section.

Table 28

Caisse d'épargne du Togo: Savings Deposits. Number of Accounts and Deposit Balances at Year End, 1981 - 1986

Year	Number of Accounts		Deposit Balances		
	Number	Growth rate, % per year	Current FCFA '000	Constant FCFA 1980 ('000)	Growth rate % per year
1981	124507	-	3520483	2941089	-
1982	134604	8.1	3804583	2860589	-2.7
1983	144144	7.1	3864583	2656071	-7.1
1984	154232	7.0	4180683	2979817	12.2
1985	164988	7.0	4817983	3496359	17.3
1986	173014	4.9	5418383	3749746	7.2
Annual Average		6.8			5.4

Source: Based on CET records. Accounting year ends on September 30.

by the CET, figures available for 1982 indicate that 78 percent of the uses of funds were accounted for by these loans and investments. About one-fifth of the funds were deposited at the "Caisse de Dépôts et Consignations" (CDC) in Paris, and only 2 percent were lent as mortgage loans. As Table 29 indicates, mortgage loans have increased substantially since 1981 but still represent less than 15 percent of the deposit balances being held at the institution. Furthermore, the amounts granted every year in mortgage loans have been systematically about twice as large as the annual increases in housing-savings balances, i.e., there is a net mobilization of liquidity from ordinary savings to housing loans.

The rather conservative management of the CET has allowed the institution to break even in recent years, or experience small losses equivalent to about two percent of total deposit balances (1981 and 1986). However, these results do not appear to take into account the subsidy received from the postal service in the form of personnel and resources devoted to handling deposit transactions on behalf of the CET^{32/}.

The CET has not taken significant actions to benefit from the national coverage provided by the post-office network and increase its deposit mobilization at a pace in line with that of other financial institutions. At present, the operations of the CET represent a continuous transfer of financial savings from

^{32/} The information provided by the CET on its financial statements was very limited, and it is not clear what expenditure items are included in the calculations of reported net revenues.

Table 29

Caisse d'Epargne du Togo: Loans Outstanding to Private Individuals,
and Loans / Deposits Ratios, 1981 - 1986

Year	Number of loans	Outstanding Balances			Loans / Deposits Ratio %
		Current FCFA '000	Constant FCFA 1980 ('000)	Growth rate % per year	
1981	7	67000	55973	-	1.9
1982	14	87200	65564	17.1	2.3
1983	44	235000	161512	146.3	6.1
1984	68	463961	330692	104.7	11.1
1985	96	647201	469667	42.0	13.4
1986	106	782570	541571	15.3	14.4
Annual Average, %				65.1	8.2

Source: Based on CET records. Accounting year ends September 30.

rural areas to government projects and public institutions, to balances held in Paris, and to a few large housing loans.

6.3. The Credit Union Movement^{33/}

The first "cooperative d'épargne et de crédit" (Coopec) in Togo was organized in 1967. Most credit unions created in the initial stages of the movement were the result of missionary work in the rural areas^{34/}. The "Comité National pour le Développement des Unions Coopératives d'Epargne et de Crédit" (CONAUDEC) was formed in 1969. Between then and 1979 more than 80 Coopecs were created, with financial assistance from Catholic Relief Services, "Pain pour le Monde", and "Brücke der Bruderhilfe". In 1980, the CONAUDEC with the assistance of these institutions, the World Council of Credit Unions (WOCCU), and the USAID, initiated a new phase of development of the movement characterized by a substantial increase in all growth indicators. This new phase included the recruitment of promotion agents and the installation of an office in Lomé. In 1983, CONAUDEC became the "Fédération des Unions Coopératives d'Epargne et de Crédit" (FUCEC).

The main indicators of the growth of Togolese credit unions in the last decade are shown in Table 30. The total number of credit unions went from 77 in 1976 to 82 in 1980 (a 6.5 percent increase), and then to 96 in 1982 (a 17 percent increase with

^{33/} This section relies upon Cuevas (1987).

^{34/} The terms "Coopec" and "credit union" are used interchangeably in this report.

Table 30

Growth of the Togo Credit Union Movement: An Overview. Figures as of December of each Year.

Year	COOPECS		Membership		Share Capital		Savings Deposits		Loans Outstanding	
	Number	Growth rate, %	Number	Growth rate, %	FCFA '000	Growth rate, %	FCFA '000	Growth rate, %	FCFA '000	Growth rate, %
1976	77	-	2823	-	n.a.	-	24978.1	-	13513.1	-
1977	85	10.39%	2895	2.55%	n.a.	-	29797.2	19.29%	18839.9	39.42%
1978	92	8.24%	3628	25.32%	n.a.	-	33839.7	13.57%	18726.3	-0.60%
1979	89	-3.26%	3739	3.06%	n.a.	-	43964.3	29.92%	18213.2	-2.74%
1980	82	-7.87%	3822	2.22%	n.a.	-	71431.5	62.48%	41598.0	128.39%
1981	97	18.29%	5375	40.63%	n.a.	-	109873.4	53.82%	65365.5	57.14%
1982	96	-1.03%	5915	10.05%	n.a.	-	156881.3	42.78%	94521.8	44.61%
1983	74	-22.92%	6565	10.99%	11459.0	-	206092.3	31.37%	185910.6	96.69%
1984	79	6.76%	7899	20.32%	14764.7	28.85%	325878.7	58.12%	266591.0	43.40%
1985	84	6.33%	8894	12.60%	17000.6	15.14%	394405.6	21.03%	338340.9	26.91%
1986	93	10.71%	10335	16.20%	18316.9	7.74%	452787.1	14.80%	381531.9	12.77%
Annual Average		2.56%		14.39%		17.24%		34.72%		44.60%

Source: Cuevas (1987).

respect to 1980). A restructuring of the movement in 1983 reduced the number of Coopecs to 74 in 1983, but the number of organizations resumed its growing trend in the period 1984-1986. The average annual growth rate of membership until 1980 was 8.3 percent per year, whereas between 1981 and 1985 the total number of members grew at an average annual rate of 18.5 percent.

Overall, membership in Coopecs grew on average at a rate of 14.4 percent per year during the decade under analysis. This is a substantial rate if one considers that population growth in Togo averaged less than 3 percent per year over the same period, and that most of the increase in membership corresponds to "new entrants" to the formal financial system. Given the predominantly rural nature of the Coopecs (75 percent of the total number of cooperatives), and the fact that commercial banks are usually reluctant to service small depositors and small borrowers, it is likely that joining a credit union is the first contact of a new member with institutional finance. The membership growth figures reported in Table 30 indicate that the credit union movement has made a significant contribution to the increased access to financial services by the Togolese population.

The increase of total savings and of loans outstanding in the Togo credit union movement during the last decade were even more striking than the membership growth discussed above (see Table 30). Savings (in current FCFA), already growing very rapidly until 1980, on average at 31 percent per year, increased even faster after 1980 at an average annual rate of 37 percent.

On the other hand, loans outstanding grew on average at almost 45 percent per year in nominal terms during the decade (41 percent on average until 1980, 47 percent on average between 1981 and 1986).

The relative size of the credit union movement in terms of the total amount of liquidity held by the movement (primarily savings plus share capital) vis à vis the Togolese economy is not large. The consolidated liabilities of credit unions represent less than one percent of Togo's quasi-money. However, the growth rates reported above exceed by far the growth of any other relevant aggregate. The real growth of the major liabilities and assets of Coopecs are contrasted against the real growth of quasi-money, private-sector credit, and gross domestic product (GDP) in the economy in Table 31. Quasi-money (i.e., interest-earning liabilities of the banking system) is used as a frame of reference to assess the savings mobilization performance of Coopecs, whereas private sector credit granted by the banking system serves the same purpose for the evaluation of their lending activity.

Coopec savings not only grew faster but also more steadily than quasi-money during the period under analysis. A comparison of columns 1 and 3 in Table 31 shows sharp fluctuations in the growth rate of quasi-money, especially in the first half of the period, that are not observed for Coopec savings balances. Both aggregates performed better in the sub-period 1981-1986 than in the first sub-period 1976-1980, even though both rates of growth

Table 31

Togo: Growth Rates of COOPEC Savings and Loans Outstanding Compared to the Growth of Relevant Aggregates in the Togo Economy, 1977-1986.

Growth Rates in Percent per Year, in Real Terms					
Year	COOPECs		Togo Economy		
	Savings Deposits	Loans Outstanding	Quasi- Money	Private Sector Credit	Gross Domestic Product
	(1) %	(2) %	(3) %	(4) %	(5) %
1977	-2.57	13.87	14.86	12.71	5.56
1978	13.02	-1.08	44.18	14.77	10.08
1979	20.87	-9.52	-23.36	4.09	6.79
1980	44.60	103.27	10.48	0.03	0.57
1981	28.50	31.27	-0.12	-19.47	-3.50
1982	28.51	30.14	18.40	-2.61	-3.83
1983	20.08	79.79	17.01	-12.33	-5.36
1984	63.98	48.71	35.69	3.46	1.20
1985	23.22	29.22	35.62	4.22	3.50
1986	9.48	7.54	5.43	7.27	
Annual Average	24.97	33.32	15.82	1.21	1.67 ^a
Average 1976-80	18.98	26.64	11.54	7.90	5.75
1981-86	28.96	37.78	18.67	-3.24	-1.60 ^b

Source: Cuevas (1987).

a Average 1977-1985.

b Average 1981-1985.

show a drop in the last year of the series, most likely a consequence of the overall economic recession prevailing since the beginning of the 80s.

The high and steady growth rates of credit-union savings suggest an increasing importance of these institutions in the monetary system of the country. Furthermore, as suggested above, growth of savings in Coopecs is likely to reflect increased effective monetization in the economy, rather than reallocations of existing financial balances from one institution to another.

The lending performance of Coopecs relative to the credit allocated to the private sector by Togo financial institutions was even more striking than that observed for savings deposits compared to quasi-money. Coopec loans outstanding (column 2 in Table 31) grew 30 times as fast as aggregate private sector credit in the economy (column 4). Growth of Coopec lending was particularly strong between 1980 and 1985, furthermore, the drastic contraction of private sector credit between 1981 and 1983 associated with the economic recession post-1980 was not observed in the outstanding balances of Coopec loans.

Even though Coopec credit balances represent only about one-half of a percent of total private sector credit in the economy, the fast growing trend of Coopec loans suggests rapidly increasing access to formal loans by small borrowers, especially in rural areas. Furthermore, loans granted by rural Coopecs represented almost 6 percent of institutional credit granted to the primary sector. Hence, the incidence of credit union lending

in rural areas is substantially more important than their overall share in private sector credit to the economy.

A comparison of rural versus urban credit unions through the analysis of membership, savings deposits, and loans outstanding results in the following pattern (see Appendix Tables 9, 10, and 11):

- (i) There are important scale differences between rural and urban Coopecs. Urban credit unions are much larger than rural cooperatives, by all the indicators revised here. As a consequence, in spite of being less in number, the urban sector accounts for a majority of the membership, for the largest share in total deposits, and for the largest share in loans outstanding in the credit union movement.

The common link associated with urban vis à vis rural credit unions, the income gap between the urban sector and the rural sector, and the transactions costs implicit in community-based rural Coopecs are all factors that explain the scale differences between rural and urban organizations.

Urban Coopecs, where the work place is usually the common link between the members, and where payroll-deduction mechanisms are normally arranged with the employer, can enjoy significant advantages in record-keeping, deposit gathering, and loan recovery, with respect to rural Coopecs. The latter face constraints determined by the geographic dispersion of the community that serves as common link for these cooperatives. Most importantly, rural credit unions

have to overcome the transactions costs associated with participation, which are minimal or non-existent in urban organizations.

- (ii) Growth performance has been consistently superior in rural Coopecs in comparison to urban cooperatives. All growth indicators reported here for membership, savings mobilization and lending are stronger in rural credit unions than in urban Coopecs.

This differential performance of credit unions by sector has to be associated with the emphasis placed by the Federation and supporting institutions in the strengthening of rural organizations. Training, promotion, and technical assistance, primarily on the improvement of management skills, have had a relatively more significant effect on rural Coopecs than on urban Coopecs.

- (iii) As a consequence of the pattern summarized above, the scale differences between rural and urban credit unions tend to gradually decrease. However, it would be inappropriate to expect that these gaps will disappear, due to the structural differences highlighted in point (i) above.

An analysis of repayment performance of a sample of 58 credit unions is summarized in Table 32. Due to differences in data availability this sample represents 77 percent of all rural Coopecs, but only 21 percent of all urban credit unions. This uneven representation must be kept in mind when interpreting the findings reported here.

Table 32

Togo: Repayment Rates in Rural and Urban Coopecs, as of September 30, 1986.

Repayment Category	Rural Coopecs		Urban Coopecs		All Coopecs	
	Number of loans	Amount FCFA'000	Number of loans	Amount FCFA'000	Number of loans	Amount FCFA'000
Not Overdue	398	8887.6	180	11056.5	578	19944.1
Percent of total	32.3%	37.4%	79.3%	87.3%	39.6%	54.8%
Less than 2 Months Overdue	57	1347.0	8	105.0	65	1452.0
Percent of total	4.6%	5.7%	3.5%	0.8%	4.4%	4.0%
2 - 6 Months Overdue	149	4034.7	13	319.8	162	4354.4
Percent of total	12.1%	17.0%	5.7%	2.5%	11.1%	12.0%
6 - 12 Months Overdue	168	3696.0	6	291.1	174	3987.1
Percent of total	13.6%	15.6%	2.6%	2.3%	11.9%	11.0%
1 - 2 Years Overdue	131	2517.4	10	630.0	141	3147.4
Percent of total	10.6%	10.6%	4.4%	5.0%	9.7%	8.6%
More than 2 Years Overdue	331	3249.7	10	269.5	341	3519.2
Percent of total	26.8%	13.7%	4.4%	2.1%	23.3%	9.7%
Total Sample	1234	23732.2	227	12671.9	1461	36404.1
Percent Overdue	67.7%	62.6%	20.7%	12.7%	60.4%	45.2%
Percent More than One Year Overdue	37.4%	24.3%	8.8%	7.1%	33.0%	18.3%
Number of Coopecs in the Sample	53		5		58	

Source: Cuevas (1987).

Overall, a majority of the loans (about 60 percent) in the sample of 58 Coopecs were overdue at the date of assessment. However, they represented about 45 percent of the loan amounts, i.e., the average amount of overdue loans is less than the average size of all loans. Since these percentages include loans even one day overdue, they tend to exaggerate the effective loan delinquency in the Coopecs under analysis. A more realistic indicator is the proportion of loan balances more than one year overdue (next to last row in Table 32). One third of the loans appear in this category considering all Coopecs in the sample, accounting for about 18 percent of total loan balances.

There is a striking difference between overdue rates of rural loans compared to urban loans. Almost one-fourth of the loan balances of the rural Coopecs in the sample were more than one year overdue, whereas this proportion was about 7 percent among urban credit unions. Over 60 percent of the loan balances of rural Coopecs had not been paid on time, while this proportion was less than 13 percent in urban Coopecs (see Table 32). This contrasting repayment performance is reflecting the different risk environment faced by the two types of institutions. Loan portfolios in rural credit unions tend to include a larger share of riskier enterprises, primarily agricultural production, than urban Coopecs. At the same time, this larger exposure to risk justifies the more careful asset management that rural Coopecs appear to have pursued in the recent past^{35/}.

^{35/} See Cuevas (1987).

In summary, the analysis of the performance of Coopec savings and loans indicates a strong and steady growth of the movement for the period 1976-1986. Savings deposits and loans outstanding at Coopecs performed substantially better than any other relevant aggregate in the Togo economy, particularly during the overall economic contraction observed after 1980. Growth of rural Coopecs has been even stronger than the averages observed for the overall movement, even though they are more affected by loan repayment problems. Overall, the Togo Coopecs appear to be making a significant contribution to the monetization of the economy, and to the improvement of access to financial services by the rural population.

6.4. An Overview of Rural Finance

(a) The Sources

Less than 3 percent of total institutional credit goes to the primary sector. These institutional credit flows into the rural areas of Togo are accounted for primarily by the banking system. Bank credit to the primary sector represent 95 percent of total institutional credit to rural areas. The other five percent originates in rural credit unions.

The CNCA is the individual institution with the largest agricultural portfolio, even though most of this lending corresponds to marketing loans. The institution appears to be overcoming a financial crisis by introducing sound

adjustments in managerial practices. The burden of a large delinquent portfolio remains an important concern and a constraint for the recovery of the CNCA.

Not surprisingly, rural households rely upon informal borrowing to meet a large share of their financial requirements. Relatives, traders, and to some extent moneylenders, as well as participation in traditional forms of rotating savings and credit organizations, are important sources of financial assistance in rural areas.

(b) The Uses

On the other hand, the banks, the CET, and rural credit unions mobilize financial savings from rural households. Traditional savings groups and schemes, as well as informal lending are also important uses of liquidity in rural areas.

Participation in traditional savings organizations and informal lending, as well as funds deposited in rural credit unions can be considered liquidity that circulates and stays in the rural sector. However, this report has shown that bank deposits are being channeled more and more to the UMOA's money market, i.e., not only outside of the rural areas but also outside of the country, since Togo holds a net creditor position in that market. On the other hand, deposits in the savings bank (CET) are funding government programs, holdings at the CDC in Paris, and housing loans.

banks and the CET may continue to channel liquidity flows away from the rural areas into urban areas and the exterior, unless rates of return to agricultural enterprises substantially improve. Price trends in cash crops appear to be following a promising path, but food crops remain a stagnant and penalized activity.

Improved returns to rural enterprises, in addition to the substantial capital inflows involved in rural development projects represent currently and potentially a strong base for financial intermediation in rural areas. The significant progress being made by rural credit unions, and the successful deposit mobilization efforts by the CNCA are positive signs in the assessment of the development potential of rural finance in Togo.

REFERENCES

- Aggrey, Dogbeda, "Togo". University Center for Cooperatives, University of Wisconsin, 1986.
- BCEAO, **Banques et monnaies**, October 1986.
- BCEAO, "Bilan des banques et des établissements financiers de l'union monétaire ouest africaine". Dakar (no date).
- BCEAO, **Statistiques Economiques et Monétaires**, various issues.
- Bergougniou, Jean Michel, "Dossier sur le Togo". Unpublished, CNCA-Togo, 1987.
- Cuevas, Carlos E., "Niger", in Masini, Mario, ed., **Rural Finance Profiles in African Countries**, Finafrica, Milan 1987.
- Cuevas, Carlos E., "Baseline Study of the Togo Credit Union Movement". Report to the World Council of Credit Unions, September 1987.
- Di Antonio, Marco, "Zaire", in Masini, Mario, ed., **Rural Finance Profiles in African Countries**, Finafrica, Milan 1987.
- International Monetary Fund, **International Financial Statistics**, various issues.
- Masini, Mario, "Mali", in Masini, Mario, ed., **Rural Finance Profiles in African Countries**, Finafrica, Milan 1987.
- Masini, Mario, and Andrea Calamanti, "Rapporto sulla Gestione e sulle Prospettive di Consolidamento della Caisse d'Epargne du Togo". Finafrica, Milan 1982.
- Ministère du Développement Rural, **Annuaire de Statistiques Agricoles**. Lomé, 1984.
- Ministère du Développement Rural, "Document de Base sur le Système Togolais d'Encadrement Rural". Lomé, July 1986.
- Ministère du Plan et de l'Industrie, "Conference des Bailleurs de Fonds pour le Développement de Togo". Lomé, June 1985.
- Mission Française de Coopération et d'Action Culturelle, "Bilan de la Coopération Française au Togo en 1986". Lomé, March 1987.

Nyuiadzi, Komi Aféleté, "Association Villages Entreprises".
Kpalimé, July 1987.

Skön, Erik, "Kenya", in Masini, Mario, ed., **Rural Finance
Profiles in African Countries**, Finafrica, Milan 1987.

Tammi, Giancarlo, "Somalia", in Masini, Mario, ed., **Rural Finance
Profiles in African Countries**, Finafrica, Milan 1987.

The Economist Intelligence Unit, "Country Profile. Togo, Benin",
1987.

Toh, Kiertizak, "Niger: Current Macroeconomic Situation and
Constraints". USAID, Niamey, January 1986.

USAID, Togo, "Cereals Trade Liberalization Program, PAAD
Amendment". Lomé, August 1986.

Viganó, Laura, "Intensificazione dei Processi Finanziari e
Crescita dei Paesi in Via di Sviluppo". Doctoral Thesis,
Istituto Universitario di Bergamo, 1987.

World Bank, "Country Economic Memorandum". Lomé, June 1987.

APPENDIX

Appendix Table 1

Togo: Gross Domestic Product by Sector of Origin in Current Prices, 1978-1985

Sector	Year							
	1978	1979	1980	1981	1982	1983	1984	1985
billions of current CFA francs								
Primary	54.4	55.4	63.1	70.2	72.5	90.1	93.4	97.3
Agriculture	46.9	46.2	53.1	59.5	59.8	77.0	78.9	81.3
Livestock, Forestry and Fishing	7.5	9.2	10.0	10.7	12.7	13.1	14.5	16.0
Secondary	45.2	49.7	56.9	58.8	63.1	62.6	64.2	71.7
Mining	12.0	17.7	21.9	24.6	26.9	28.7	30.6	30.8
Manufacture	12.5	11.7	17.0	19.0	20.6	20.1	19.9	22.1
Construction and Energy	20.7	20.3	18.0	15.2	15.6	13.8	13.7	18.8
Tertiary	100.2	107.5	118.4	129.0	134.1	128.6	135.4	146.6
Transport, Commerce and Services	79.4	84.5	93.1	102.0	106.6	100.8	106.5	119.0
Government	20.8	23.0	25.3	27.0	27.5	27.8	28.9	27.6
GDP at Market Prices	199.8	212.6	238.4	258.0	269.7	281.3	293.0	315.6

Source: World Bank, "Country Economic Memorandum", June 1987.

Appendix Table 2

Togo: Sectoral Shares in Gross Domestic Product, 1978-1985

Sector	Year							
	1978	1979	1980	1981	1982	1983	1984	1985
Percent of Total GDP								
Primary	27.2	26.1	26.5	27.2	26.9	32.0	31.9	30.8
Agriculture	23.5	21.7	22.3	23.1	22.2	27.4	26.9	25.8
Livestock, Forestry and Fishing	3.8	4.3	4.2	4.1	4.7	4.7	4.9	5.1
Secondary	22.6	23.4	23.9	22.8	23.4	22.3	21.9	22.7
Mining	6.0	8.3	9.2	9.5	10.0	10.2	10.4	9.8
Manufacture	6.3	5.5	7.1	7.4	7.6	7.1	6.8	7.0
Construction and Energy	10.4	9.5	7.6	5.9	5.8	4.9	4.7	6.0
Tertiary	50.2	50.6	49.7	50.0	49.7	45.7	46.2	46.5
Transport, Commerce and Services	39.7	39.7	39.1	39.5	39.5	35.8	36.3	37.7
Government	10.4	10.8	10.6	10.5	10.2	9.9	9.9	8.7
GDP at Market Prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Appendix Table 1.

APPENDIX TABLE 3

TOGO: LOANS AND TOTAL ASSETS IN THE BANKING SYSTEM BY INSTITUTION, 1980 - 1986.

(MILLION CFA FRANCS)

FINANCIAL INSTITUTION	PERIOD											
	1980		1981		1982		1983/84		1984/85		1985/86	
	LOANS	TOTAL ASSETS	LOANS	TOTAL ASSETS	LOANS	TOTAL ASSETS	LOANS	TOTAL ASSETS	LOANS	TOTAL ASSETS	LOANS	TOTAL ASSETS
C.N.C.A.	7170	9464	8329	10442	8325	10196	12094	13926	12479	15100	9578	20635
BTD	7399	9392	7782	9532	7264	12292	6896	11357	7509	11687	8037	12338
SNI & FA	669	5686	1258	6920	1474	7439	1787	10264	1226	10097	1290	10610
UTB	19449	33451	18611	36327	18749	44292	14750	48357	13975	54308	19041	57070
BTCI	12519	19640	11432	22553	10715	23363	11362	33745	13660	33292	16481	39131
BIAO-TOGO	7284	13656	8678	16727	8681	20502	9378	27485	9034	36253	10600	32938
BCCI	496	1507	1429	4326	1855	8050	5072	18487	3999	24752	5843	25612
BALTEX	2129	4899	2337	4848	2394	5385	3494	6617	3491	7511	4614	8855
BCG	1576	2822	1828	2535	1521	4276	2073	7107	2032	5768	2046	4713
TOTAL	58689	100517	61684	114208	60977	135795	66906	177345	67405	198768	77530	211902

Source: BCEAO, "Bilan des banques et des établissements financiers de L'union monétaire ouest africaine" and unpublished data.

APPENDIX TABLE 4

TOGO: DEPOSITS HELD BY THE GENERAL PUBLIC,
THE GOVERNMENT AND THE INTERNATIONAL (NON-FINANCIAL) INSTITUTIONS WITH THE BANKING SYSTEM, 1980 - 1986

(MILLION CFA FRANCS)

FINANCIAL INSTITUTION	(YEAR)											
	1980		1981		1982		1983/1984		1984/1985		1985/1986	
	GENERAL PUBLIC	GOVERN- MENT & OTHERS	GENERAL PUBLIC	GOVERN- MENT & OTHERS	GENERAL PUBLIC	GOVERN- MENT & OTHERS	GENERAL PUBLIC	GOVERN- MENT & OTHERS	GENERAL PUBLIC	GOVERN- MENT & OTHERS	GENERAL PUBLIC	GOVERN- MENT & OTHERS
C.N.C.A.	2832	1295	3542	1012	4449	1196	4899	3636	6005	5694	8333	6497
BTD	1752	110	1596	264	1679	0	2708	577	2117	900	4079	852
SNI & FA	2890	1216	3138	1703	2710	1582	4786	2521	5464	2336	6710	2083
UTB	18494	4525	16272	3592	15182	3453	27499	6352	30687	8043	36081	11476
BTIC	9058	330	10491	3011	13509	3662	18108	6552	18828	7316	24373	6152
BIAO-TOGO	6889	240	7623	419	11018	681	18197	2062	24068	3463	20534	4621
BCCI	1009	0	2056	203	4606	590	10669	1935	10406	2938	11105	3344
BALTEX	1492	1337	1564	621	1422	734	1686	1685	2165	1341	3111	1223
BCG	1121	39	905	200	1359	181	1629	382	2554	402	2352	394
TOTAL	45536	9090	47185	11024	55933	12080	90181	25702	102294	32433	116678	36642

Source: BCEAO, Statistiques économiques et monétaires, various issues.

APPENDIX TABLE 5

TOGO: INSTITUTIONAL CREDIT BY TERM STRUCTURE AND SECTOR, 1981 - 1986

(MILLION CFA FRANCS)

TERM STRUCTURE	SECTOR	(YEAR)					
		1981	1982	1983	1984	1985	1986
SHORT TERM	AGRICULTURE	710	805	565	581	486	366
	MINING	8108	9260	3744	4294	3348	10656
	MANUFACTURING	5710	6762	7429	7544	3520	3118
	ELECTRICITY, GAS, WATER	444	0	37	801	76	168
	CONSTR. & PUBLIC WORKS	4017	3858	3322	3725	3715	4742
	TRADE	15440	18375	19762	18396	19269	19465
	TRANSPORTS & COMMUNICATIONS	1327	1582	1679	1488	1850	1887
	INSURANCE & REAL ESTATE	236	258	324	308	350	275
	SERVICES	605	806	890	929	951	1116
	TOTAL	36597	41706	37752	38067	33565	41793
	of which:						
	PRIVATE ENTERPRISES	21122	22703	25395	25567	26243	26803
	PUBLIC ENTERPRISES	15475	19003	12357	12500	7322	14990
MEDIUM TERM	AGRICULTURE	528	485	492	672	635	582
	MINING	686	286	156	2640	2615	2614
	MANUFACTURING	3748	3930	3443	2814	1927	2306
	ELECTRICITY, GAS, WATER	1155	829	614	595	571	446
	CONSTR. & PUBLIC WORKS	90	294	258	191	482	384
	TRADE	1115	1758	2192	3152	4082	4179
	TRANSPORTS & COMMUNICATIONS	336	270	284	235	237	411
	INSURANCE & REAL ESTATE	189	273	710	597	682	629
	SERVICES	3684	3540	4299	4221	4517	4476
	TOTAL	11531	11665	12345	15117	15748	16027
	of which:						
	PRIVATE ENTERPRISES	8780	9744	10516	10913	11826	12539
	PUBLIC ENTERPRISES	2751	1921	1829	4204	3922	3488
LONG TERM	AGRICULTURE	79	96	43	43	43	43
	MINING	132	132	0	0	0	0
	MANUFACTURING	297	297	280	134	101	130
	ELECTRICITY, GAS, WATER	0	115	0	0	0	0
	CONSTR. & PUBLIC WORKS	0	0	0	0	0	0
	TRADE	40	40	41	41	4	20
	TRANSPORTS & COMMUNICATIONS	10	10	10	0	0	5
	INSURANCE & REAL ESTATE	0	0	0	0	0	0
	SERVICES	109	166	388	560	772	761
	TOTAL	667	856	762	778	920	959
	of which:						
	PRIVATE ENTERPRISES	337	378	570	745	920	959
	PUBLIC ENTERPRISES	330	478	192	33	0	0

Source: BCEAO, Statistiques économiques et monétaires, various issues.

Appendix Table 6

Togo: Total Institutional Credit by Sector, 1981 - 1986

Sector	Year					
	1981	1982	1983	1984	1985	1986

	millions of CFA Francs					
Primary ^a	1317	1386	1100	1296	1164	991
Secondary	24387	25763	19283	22738	16355	24564
Mining	8926	9678	3900	6934	5963	13270
Manufacture	9755	10989	11152	10492	5548	5554
Energy & Utilities	1599	944	651	1396	647	614
Constr. & Public Works	4107	4152	3580	3916	4197	5126
Tertiary ^b	23091	27078	30579	29927	32714	33224
Commerce	16595	20173	21995	21589	23355	23664
Transp. & Communic.	1673	1862	1973	1723	2087	2303
Ins. & Real Estate	425	531	1034	905	1032	904
Services	4398	4512	5577	5710	6240	6353
TOTAL	48795	54227	50962	53961	50233	58779
of which:						
Private Enterprises	30239	32825	36481	37225	38989	40301
Public Enterprises	18556	21402	14481	16736	11244	18478

Source: BCEAO, *Statistiques économiques et monétaires*, various issues.

a Agriculture, Livestock, Forestry and Fisheries.

b Excludes government.

Appendix Table 7

Togo: Public Investment by Sector of Destination and Source of Financing, 1981-1986

	1981	1982	Year		1985	1986	Total 1981-1986	
			1983	1984			FCFA billion	Percent of total %
billions of CFA francs								
A. Distribution by Sectors								
Rural Development	8.8	6.0	5.4	11.6	13.5	14.1	59.4	29.9
Industry, Handicraft and Commerce	8.3	0.9	0.6	2.0	1.8	6.7	20.3	10.2
Infrastructure	15.0	9.7	9.9	12.0	20.9	24.5	92.0	46.3
Administration, Social Sector and others	3.0	5.0	5.5	4.7	4.3	4.7	27.2	13.7
Total Investment Expenditures	35.1	21.6	21.4	30.3	40.5	50.0	198.9	100.0
B. Financing								
Domestic	14.9	5.9	3.9	5.7	8.8	16.1	55.3	27.8
External	20.2	15.7	17.5	24.6	31.7	33.9	143.6	72.2
of which:								
Grants	4.6	5.4	5.9	11.2	11.4	10.2	48.7	24.5
Loans	15.6	10.3	11.6	13.4	20.3	23.7	94.9	47.7

Source: World Bank, "Country Economic Memorandum", June 1987.

Appendix Table B

CNCA-Togo: Deposit Portfolio. Composition at Year End, 1983 - 1986

Type of Deposit	Year				Average
	1983	1984	1985	1986	1983-1986
Percentage Composition					
Current acct. individuals	16.6%	9.3%	13.1%	11.3%	12.6%
Current acct. institutions	28.1%	29.2%	28.1%	24.3%	27.4%
Savings accounts	23.8%	27.4%	25.0%	26.6%	25.7%
Time deposits	31.5%	34.1%	33.7%	37.8%	34.3%
Other deposits	1.3%	2.7%	1.1%	0.4%	1.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Based on CNCA records. Accounting year ends on September 30.

Appendix Table 9

Togo: Quarterly Growth Rates of Membership in Rural and Urban Coopecs
September 1983 - December 1986.

Date	Rural Coopecs			Urban Coopecs			All Coopecs		
	Number of	Number of	Members /	Number of	Number of	Members /	Number of	Number of	Members /
	Members	Coopecs	Coopec	Members	Coopecs	Coopec	Members	Coopecs	Coopec
	%	%	%	%	%	%	%	%	%
30-Sep-83	-	-	-	-	-	-	-	-	-
31-Dec-83	5.9	3.7	2.1	5.5	0.0	5.5	5.6	2.8	2.8
31-Mar-84	11.3	1.8	9.4	2.1	11.1	-8.1	5.5	4.1	1.4
30-Jun-84	4.6	0.0	4.6	4.0	0.0	4.0	4.2	0.0	4.2
30-Sep-84	3.8	1.8	2.0	4.0	0.0	4.0	3.9	1.3	2.6
31-Dec-84	5.1	0.0	5.1	5.4	5.0	0.4	5.3	1.3	4.0
31-Mar-85	2.1	0.0	2.1	3.9	0.0	3.9	3.2	0.0	3.2
30-Jun-85	2.1	0.0	2.1	2.0	0.0	2.0	2.0	0.0	2.0
30-Sep-85	3.7	5.2	-1.4	1.6	0.0	1.6	2.4	3.8	-1.3
31-Dec-85	4.1	0.0	4.1	4.6	9.5	-4.5	4.4	2.4	1.9
31-Mar-86	0.6	0.0	0.6	1.2	4.3	-3.0	1.0	1.2	-0.2
30-Jun-86	0.9	6.6	-5.3	4.2	0.0	4.2	2.9	4.7	-1.7
30-Sep-86	1.9	0.0	1.9	4.5	0.0	4.5	3.6	0.0	3.6
31-Dec-86	7.9	6.2	1.7	8.0	0.0	8.0	7.9	4.5	3.3
Quarterly average	4.2	1.9	2.2	3.9	2.3	1.7	4.0	2.0	2.0

Source: Cuevas (1987).

Appendix Table 10

Togo: Quarterly Growth Rates of Savings Deposits in Rural and Urban Coopecs,
in Real Terms, September 1983 - December 1986.

Date	Rural Coopecs			Urban Coopecs			All Coopecs		
	Deposits	Deps. / Coopec	Deps./ Member	Deposits	Deps. / Coopec	Deps./ Member	Deposits	Deps. / Coopec	Deps./ Member
	%	%	%	%	%	%	%	%	%
30-Sep-83	-	-	-	-	-	-	-	-	-
31-Dec-83	20.1	15.8	13.4	13.8	13.8	7.8	14.4	11.3	8.3
31-Mar-84	6.9	5.0	-4.0	11.7	0.5	9.4	11.2	6.9	5.4
30-Jun-84	7.3	7.3	2.5	8.7	8.7	4.5	8.5	8.5	4.1
30-Sep-84	14.1	12.2	10.0	17.4	17.4	12.9	17.1	15.6	12.7
31-Dec-84	11.5	11.5	6.1	15.9	10.4	10.0	15.5	14.0	9.7
31-Mar-85	13.5	13.5	11.1	6.6	6.6	2.6	7.3	7.3	3.9
30-Jun-85	6.2	6.2	4.0	2.7	2.7	0.7	3.1	3.1	1.0
30-Sep-85	6.8	1.6	3.0	0.9	0.9	-0.7	1.5	-2.2	-0.9
31-Dec-85	6.5	6.5	2.3	4.0	-5.0	-0.6	4.3	1.8	-0.1
31-Mar-86	3.0	3.0	2.4	-2.9	-2.9	-4.1	-2.2	-2.2	-3.2
30-Jun-86	0.7	-5.5	-0.2	1.2	1.2	-2.8	1.2	-3.4	-1.7
30-Sep-86	5.5	3.9	3.5	7.5	3.0	2.8	7.3	4.9	3.6
31-Dec-86	11.6	6.8	3.5	2.8	2.8	-4.8	3.8	0.4	-3.8
Quarterly Average	8.7	6.7	4.4	6.9	4.6	2.9	7.1	5.1	3.0

Source: Cuevas (1987).

Appendix Table 11

Togo: Quarterly Growth Rates of Loans Outstanding in Rural and Urban Coopecs,
in Real Terms, September 1983 - December 1986.

Date	Rural Coopecs			Urban Coopecs			All Coopecs		
	Loans	Loans /	Loans/	Loans	Loans /	Loans/	Loans	Loans /	Loans/
	%	Coopec	Member	%	Coopec	Member	%	Coopec	Member
30-Sep-83	-	-	-	-	-	-	-	-	-
31-Dec-83	35.5	27.3	27.9	26.4	11.6	19.8	27.0	17.5	20.2
31-Mar-84	-1.5	2.6	-11.5	5.6	5.6	3.4	5.1	8.4	-0.3
30-Jun-84	10.6	4.1	5.7	5.1	-5.9	1.1	5.5	-2.1	1.2
30-Sep-84	20.8	18.5	16.4	15.9	15.9	11.5	16.2	14.6	11.9
31-Dec-84	9.5	9.5	4.2	15.2	9.4	9.3	14.8	13.2	9.0
31-Mar-85	-2.5	-2.5	-4.5	5.7	0.6	1.7	5.1	3.7	1.9
30-Jun-85	24.5	19.9	22.0	-0.5	-0.5	-2.5	0.9	-1.8	-1.1
30-Sep-85	18.7	18.7	14.5	3.9	3.9	2.2	4.9	4.9	2.5
31-Dec-85	0.0	-3.6	-3.9	11.1	6.0	6.2	10.2	5.9	5.5
31-Mar-86	-9.2	-9.2	-9.7	-3.1	-11.2	-4.3	-3.5	-6.0	-4.5
30-Jun-86	-2.0	-7.0	-2.9	-2.3	-2.3	-6.2	-2.2	-5.8	-5.0
30-Sep-86	12.6	3.8	10.4	0.3	0.3	-4.1	1.2	-4.6	-2.3
31-Dec-86	15.3	17.2	6.9	13.2	13.2	4.9	13.4	14.7	5.0
Quarterly Average	10.2	7.7	5.8	7.4	3.6	3.3	7.6	4.8	3.4

Source: Cuevas (1987).